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Management

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METHODS

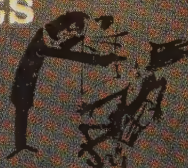
APRIL 1959

PRACTICAL SOLUTIONS TO ADMINISTRATIVE PROBLEMS



LEASE IT.
DON'T
BUY IT!

Seven
secrets
of
persuasion



M COLE OF FEDERAL PACIFIC ELECTRIC CO.—

ow to compete with the giants

SEE COMPLETE
CONTENTS ON
PAGE 3

OFFICE MANAGERS' CHECK LIST FOR EXECUTIVE SWIVEL CHAIRS



Is it built for minimum maintenance, longest life?

A chair that will take long, hard, daily usage in stride with next-to-no-maintenance calls for an all-welded Steel Frame for heavy-duty tilt-tension spring, shape retaining coil spring seat, wear resistant upholstery, oven-baked chip-proof finish (*such as Royal Plastelle*.)



Is it comfortable?

Nobody works at peak efficiency in a "straight-jacket" chair... day-long comfort calls for a wide, firmly upholstered seat... covered arm-rests are a must. Height adjustment with positive locking device at the proper level "tailors" the chair to the individual. Tightly-curved hair filling "breathes" with every weight shift... *won't build up body heat*.



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Royal®

model 1230

THE STANDARD OF THE INDUSTRY...

gives you all these features—and more



UNMATCHED FOR SAFETY. *Widest base, 27" overall, makes the Royal 1230 practically impossible to tip over.*

BUILDING? EXPANDING? REFURNISHING?
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San Francisco's First Western Bank Building Passes the Giant Janitor's **White Glove Test**

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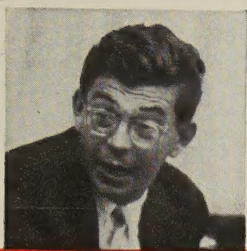
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APRIL 1959

Management

METHODS

Volume 16

Number 1

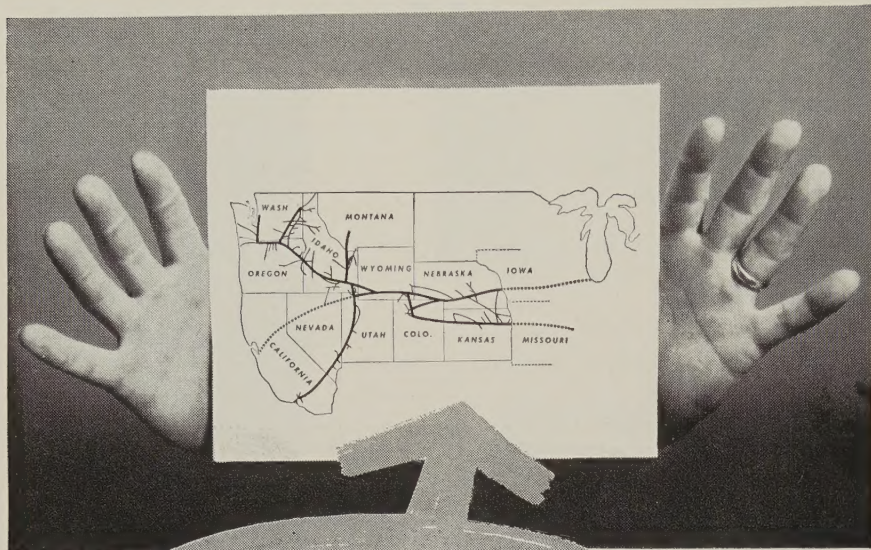
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Plenty of room to EXPAND



IN THE UNION PACIFIC WEST

As we all know, the territory shown on the map always has been a tremendous source of agricultural products . . . of raw materials for processing and manufacturing.

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**INDUSTRIAL
DEVELOPMENT
DEPARTMENT**
UNION PACIFIC
Railroad

OMAHA 2, NEBRASKA



(Circle number 157 for more information)

Management

METHODS

Volume 16

Number 1

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CHANGE OF ADDRESS: To insure continuous serv-
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Include old address as it appeared on previous
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change of address or your magazine.

49* good reasons to choose a Sheraton Hotel for your next meeting



*49 Sheraton Convention Experts

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are Sheraton Hotels almost everywhere — throughout the U. S. and in Canada, too. Sheraton specializes in convention service . . . and has convention facilities that are varied and flexible.

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Sheraton Hotel

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Sheraton Hotel

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Sheraton-Syracuse Inn

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Sheraton-Binghamton
(opening early 1959)

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Sheraton-Blackstone
Sheraton Hotel

DETROIT
Sheraton-Cadillac

CLEVELAND
Sheraton-Cleveland

CINCINNATI
Sheraton-Gibson

ST. LOUIS
Sheraton-Jefferson

OMAHA
Sheraton-Fontenelle

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Sheraton Hotel

INDIANAPOLIS
Sheraton-Lincoln

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French Lick-Sheraton

RAPID CITY, S. D.
Sheraton-Johnson

SIOUX CITY, Iowa
Sheraton-Martin
Sheraton-Warrior

SIOUX FALLS, S. D.
Sheraton-Carpenter
Sheraton-Cataract

CEDAR RAPIDS, Iowa
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SOUTH

LOUISVILLE
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The Watterson

DALLAS
Sheraton Hotel
(opens early 1959)

AUSTIN
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Motor Hotel

MOBILE, Ala.
The Battle House

WEST COAST

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Sheraton-Palace

LOS ANGELES
Sheraton-West (formerly the
Sheraton-Town House)

PASADENA
Huntington-Sheraton

PORTLAND, Oregon
Sheraton Hotel
(opens fall 1959)

CANADA

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Sheraton-Mt. Royal
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Finding is up to *four times faster*. Operating costs for help are reduced. But most important, there's less to hamper and delay decisions; management has more time to manage.

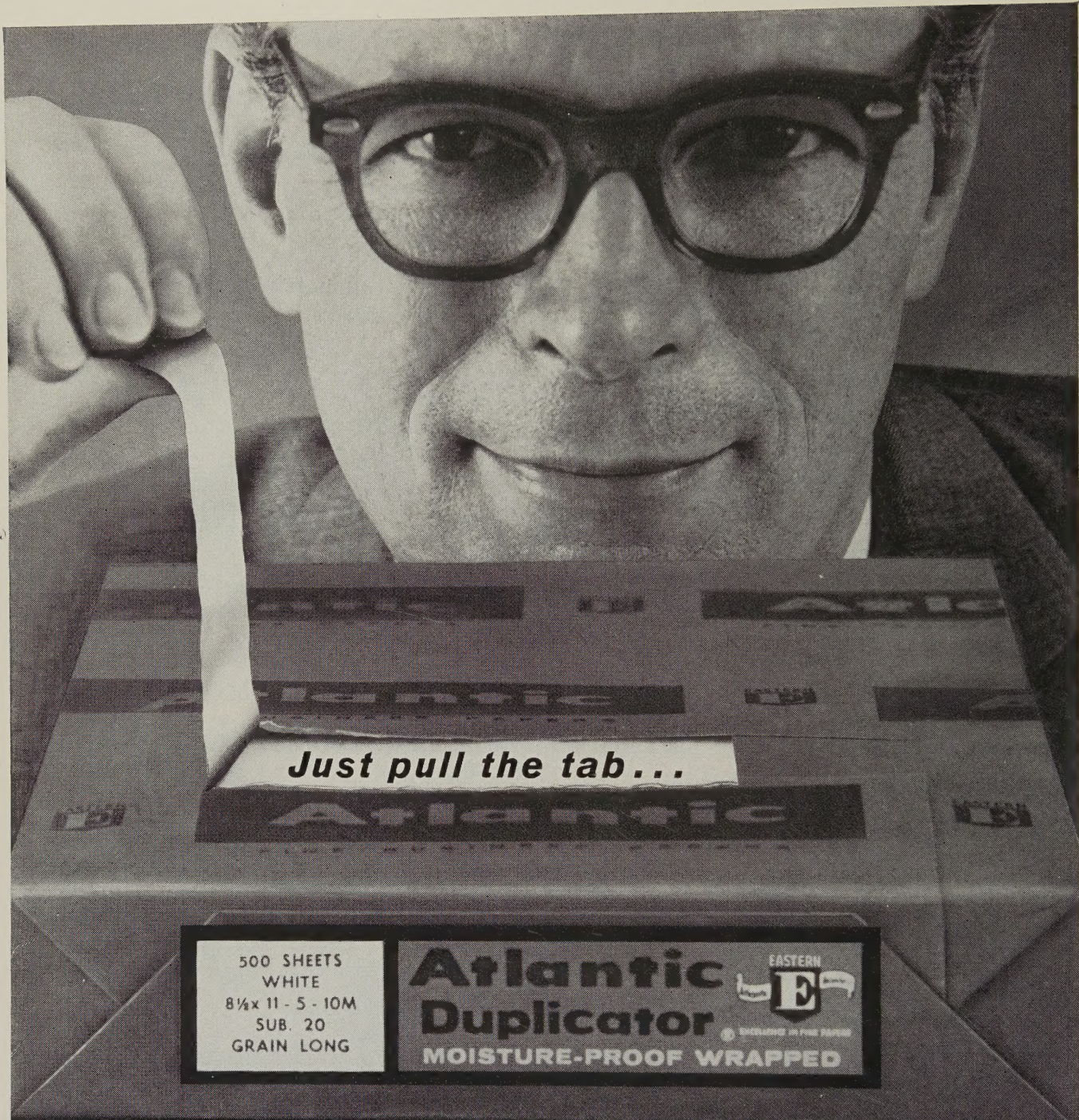
For today's *cost- and time-conscious management* Shaw-Walker time-engineering research has now produced — Error-Proof filing systems; Automatic Expanding file drawers; Work Organized "clutter-proof" desks; Step-Saving fireproof equipment; Time-Saving payroll plans; Efficient automation accessories; and Numerous Other Devices that facilitate recording, filing and finding of records.

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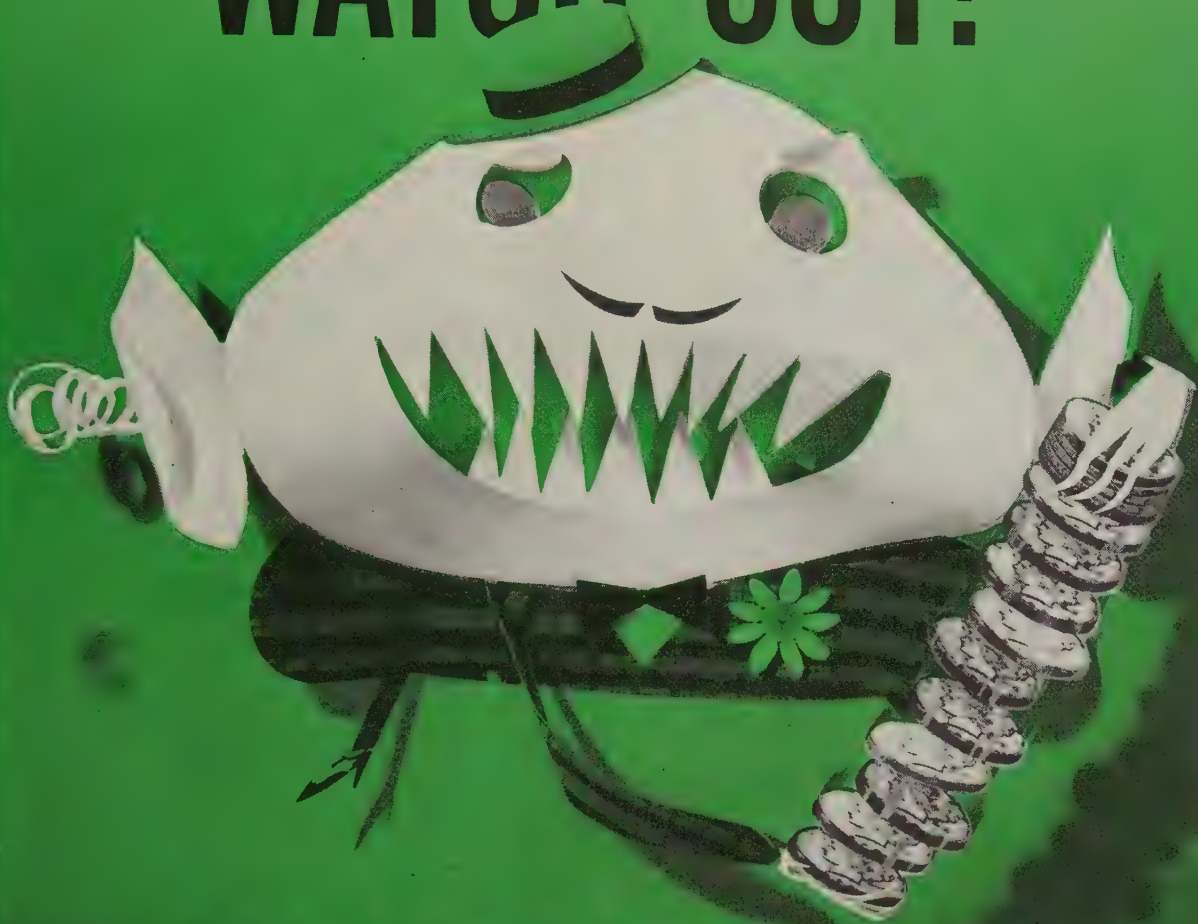


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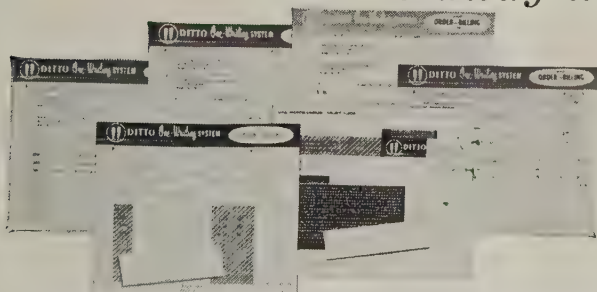
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the lowest priced
magnetic-belt



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INSTRUMENTS
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Los Angeles 28, California

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These booklets—promotional and otherwise—contain ideas of possible profit to you. Each item listed will be sent to you without cost.

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▼
How to get into politics

A leaflet published by the U. S. Chamber of Commerce describes that agency's new Action Course in Practical Politics.

An outline is given of the nine discussion workshops that make up the course. Also given are questions and answers concerning how to organize the program.

The course is designed to show businessmen how to get into politics and become effective in nominating and electing sound candidates to public office.

For a free copy of this timely leaflet, circle number 286 on the Reader Service Card.

▼
About mailing regulations

"Handy Guide of Postal Rates, Regulations and Envelope Specifications" is offered by Connecticut Valley Paper & Envelope Co.

It is a simplified digest of up-to-date rates and rules for all types and classes of mail. Several easily read charts are included.

The 32-page booklet gives data on various types of envelopes and other helpful mailing hints.

For a free copy of this pocket-sized guide, circle number 256 on the Reader Service Card.

▼
Quick letter answering

A leaflet explaining how to use your Thermo-Fax Secretary copying machine to answer letters is offered by the Minnesota Mining and Mfg. Co. Key to the process is a pad of gummed labels. These "short note reply" stickers can be affixed to an incoming letter, your comment or answer jotted down on them, and the original letter with its "SNR" label copied in seconds by the Thermo-Fax machine.

Within minutes the original letter with its reply is on its way back to the sender, and the copy is ready for filing in your office. No dictation is involved, your secretary's time is saved and you have given your personal touch to an otherwise mechanical operation.

For a free copy of this time saving system, circle number 282 on the Reader Service Card.

▼
Direct mail—how, when, what

A 16-page booklet, offered by Bruce, Richards Corp., explains the many ways direct mail can be used profitably in any business.

It details every phase of this advertising medium from what it is, to when and how it should be used.

For your free copy of "Direct Mail Advertising" write Bruce, Richards Corp., 250 Fourth Avenue, New York City 3.

▼
Guide to interior fire control

Here is a colorful 28-page brochure describing and illustrating every type of modern interior fire control product. This booklet is published by the Fyr-Fyter Co., Dayton, Ohio.

Included is information on automatic sprinkler, carbon dioxide, dry chemical, foam and smoke detection systems. Details on hose and extinguisher cabinets, valves and connections, a review of all late-model extinguishers and facts on hundreds of other important fire control accessories are carefully presented.

Written portions of the brochure are devoted almost entirely to specifications and operation descriptions. Installation diagrams, component cut-aways and dimensional drawings are used throughout.

For a free copy of this comprehensive booklet, circle number 285 on the Reader Service Card.

▼
How to plan foreign operations

Executives—interested in new profit opportunities in the expanding markets of Western Europe will want to read "Planning Foreign Operations for the European Common Market."

Prepared by Management Consultants Booz, Allen & Hamilton, the facts presented are amply supported with graphic charts.

For a complimentary copy of this 14-page brochure, circle number 293 on the Reader Service Card.

▼
Southern plant site

For firms looking for a southern plant site, a new folder published by Adam-Cates Co. will be of interest. It presents information on the new 800-acre Fulton Industrial District, near Atlanta. Two maps illustrate the district's proximity to truck, rail and air facilities, and data on available public utilities is also included.

For a free copy circle number 283 on the Reader Service Card.

▼
How to measure a good report

"Seven Marks of a Useful Report" lists the essentials a report must have to serve as an adequate management tool.

Published by Ross Martin Co., it also discusses common mistakes made by managers in issuing and using reports. Actual cases are cited.

The booklet also includes 15 check points on the total cost of a report from initial gathering of data to the storage of the completed report.

For a free copy of this booklet on report-making, write to Ross Martin Co., Box 800, Tulsa.

FIGUREWORK PRODUCTION

UP



CASH OUTLAY

DOWN

... when you take advantage of a **MARCHANT** installment or lease plan

Here are practical, *visible* results of putting Marchant calculators and adding machines to work under your choice of five installment and lease plans:

1. Speedy reduction of your figurework backlog.
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(Monthly Rental Payments)

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(Monthly Payments)

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Modern Management Counts on Marchant

MARCHANT CALCULATORS, OAKLAND 8, CALIFORNIA

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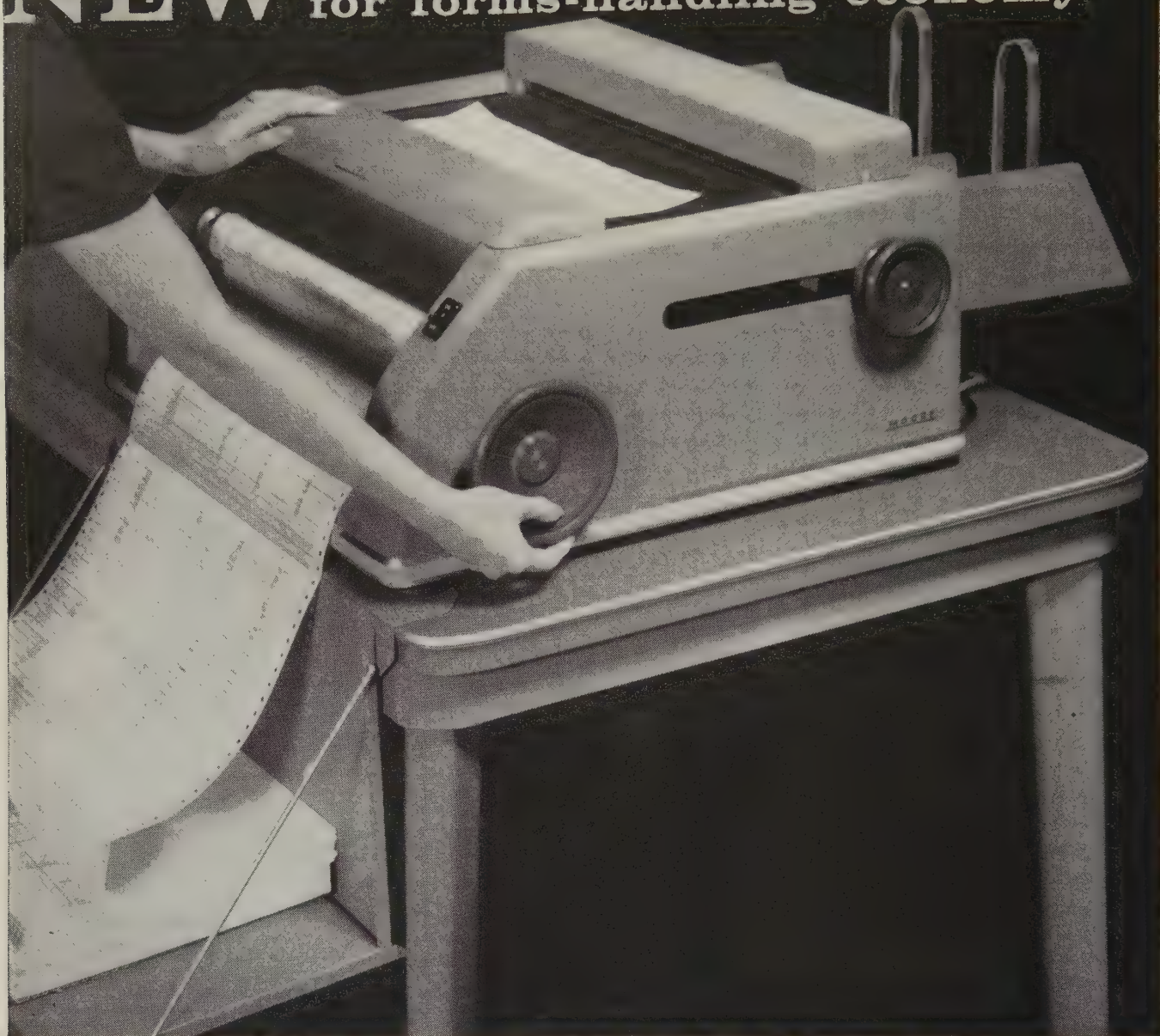
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- ☐ Lease With Option To Buy

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(Circle number 137 for more information)

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MOORE BUSINESS FORMS

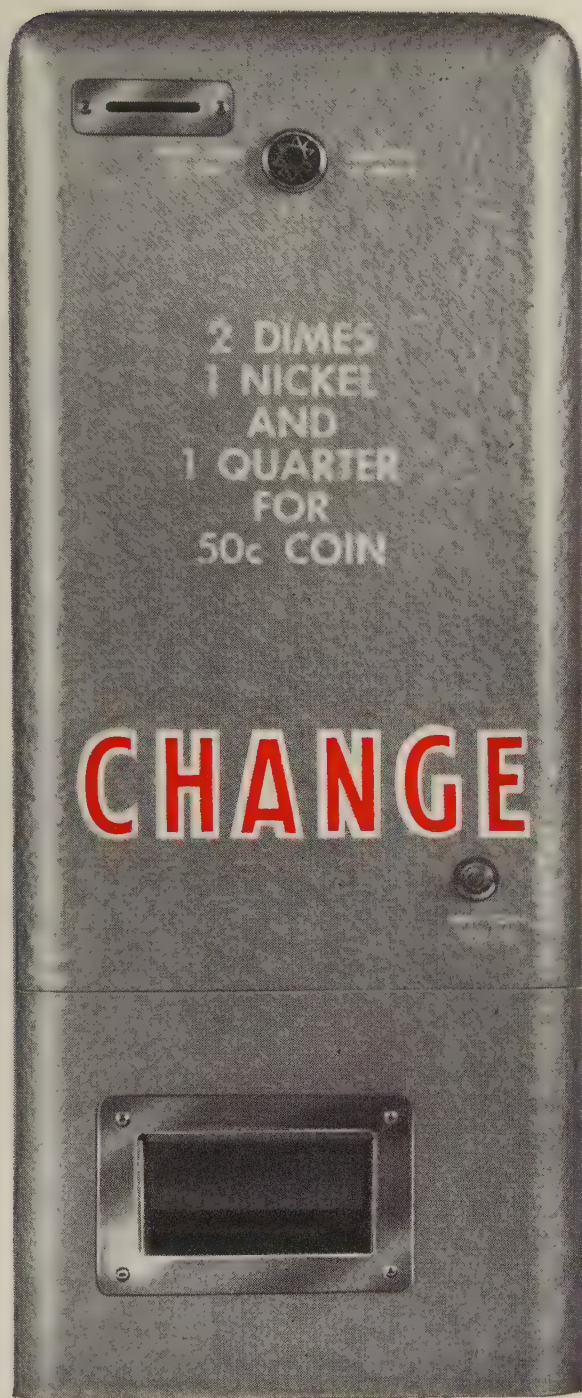
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coffee
break
time
up to
20%**



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STANDARD CHANGE-MAKERS come in 24 different models, manual and electric, dispensing various combinations of coins.

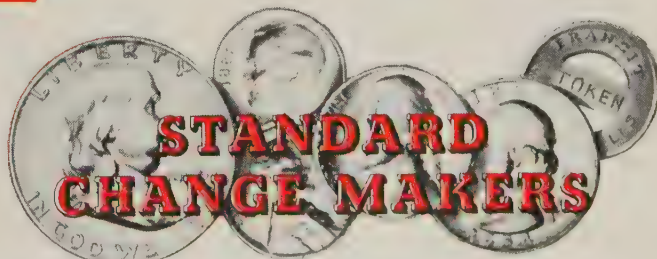
Select the machine or machines to fit your need.

Write today for full information.

Write:

**Standard Change-Makers, Inc.,
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World's largest manufacturer of separate 5¢, 10¢, 25¢ and 50¢ coin changers. District offices in 17 major cities throughout the United States.



(Circle number 151 for more information)

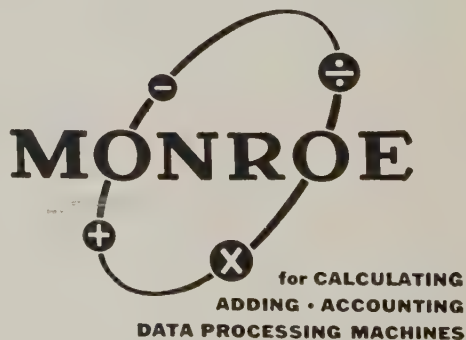
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(Circle number 138 for more information)



Tax quiz

A digest of recent court cases compiled by Benjamin Newman, Tax Attorney, Koenig and Bachner, New York.

THE QUESTION

A company made under-the-table payments to an officer of a lending institution in order to obtain loans. Are the payments deductible as expenses?

The facts—A company needed some cash. While negotiating for loans, the company stacked the cards in its favor by making secret payments to an officer of a lending institution. In return, the officer used his influence to arrange the loans.

Later, the company listed these "under-the-table" payments as charges to loan financing. It asked the advice of the Commissioner of Internal Revenue as to the legality of deducting the payments from income as ordinary and necessary expenses.

The ruling—The commissioner said the payments could not be deducted. The ruling allowed that the payments might be necessary, since they aided the company's growth, but they were made in secret and the officer who accepted them had no authority to do so. Consequently, the payments were ruled not normal, usual and customary—and not "ordinary."

(Revenue Ruling 58-525, I. R. B. 1958-43, 10.)

THE QUESTION

An accountant signed the name of a man's wife to a joint income tax return, with her knowledge, but not her consent. Is she liable for income her husband failed to report in that return?

The facts—A married taxpayer filed a joint return, including his wife's salary along with his income. The signature on the return purporting to be his wife's was actually written by the husband's accountant. Although she knew of the signing, she never gave the accountant authority to do so. When the Internal Revenue Service received the return, it was unaware of the fact that the wife had not actually signed it.

Later, the service found that the taxpayer had failed to report much of that year's income. A tax deficiency was assessed. His wife refused to honor the assessment, claiming she had not signed the return.

No, Boss — the boys are going strong — I'm talking from a —

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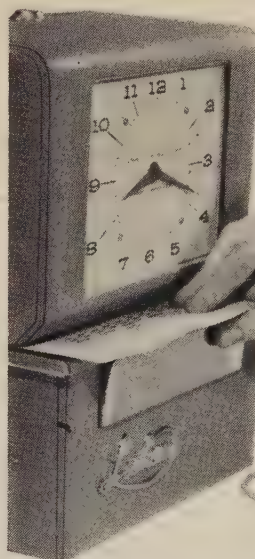
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The ruling—The United States Court of Appeals affirmed a decision of the tax court. It held that the crucial question was one of intent, namely, had the wife intended to file a joint return? Considering the advantages gained by filing jointly and the wife's failure to protest the accountant's false signature, the court ruled that she had intended to file jointly.

Muriel Hein vs. Commissioner of Internal Revenue, U.S. Court of Appeals, January 1958.

THE QUESTION

The two owners of a corporation loaned it \$109,000, and paid themselves interest for the loan. Can they deduct the interest charges from the corporation's income tax?

The facts—A bowling alley was incorporated in 1946 with a capital stock investment of \$1,000. Stockholder A invested \$700 and Stockholder B put in the other \$300. At the time of the incorporation, it was estimated that the bowling alley would need approximately \$280,000 to get started.

The corporation borrowed \$190,000 from a local bank, offering a mortgage on its property as security. The bank mortgage loan was given on the condition that the stockholders were going to loan the bowling alley \$90,000. They did, and got promissory notes for their loan. (Then the bank loaned the corporation \$41,000 more, and the stockholders added \$19,650 to their initial \$90,000 loan.)

The corporation paid interest on its debts and deducted these interest payments from its income taxes. The Commissioner of Internal Revenue did not allow the deductions, claiming that the "loans" by the stockholders were actually contributions to capital. The corporation contended that its loans were valid and enforceable debts—therefore interest on the loans was a proper, deductible expense.

The ruling—The U.S. District Court declared the important consideration was whether the intent of the parties should be disregarded in characterizing these transactions for federal tax purposes. The court held that tax incidents pertain to the substance of a transaction and not to its form.

It was clear at the date of incorporation that the stockholders would have to invest \$90,000 and that a year later, they would have to add nearly \$20,000 more. Also, the stockholders' loans to the bowling alley were in the same proportion as their investments. The court said this indicated that the funds loaned were actually placed at the risk of the business.

The facts also showed that the bank loan was conditioned upon the stockholders' \$90,000 addition. Whatever this investment was called, it was evident the bank wanted more than \$1,000 placed at the risk of the venture before granting a loan.

Finally, the court decided that the stockholders' debt-equity ratio of 109 to one was very unreasonable and unrealistic. With these facts, the court concluded that the advances to the bowling alley, reported as loans, were in fact capital investments.

Harkin Bowling, Inc. vs. District Director of Internal Revenue, U.S. District Court, August 1958.



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SALES BUILDERS

LET SALESMEN SUGGEST THEIR OWN SALES AIDS

■ TOO MANY SALES AIDS are "full of what the office wants, not what the salesman needs." This remark is typical of salesmen's reactions to sales aids, according to a survey conducted by Porter Henry & Co., Inc., New York sales consultant



firm. Questionnaires sent to 4,000 salesmen through *American Salesmen* magazine reveal that while salesmen are convinced of the value of sales aids, they are generally described as too long, too wordy, too dull or too heavy.

If you want the flipcharts, samples, demonstrators, catalogs and films carried by your salesmen to be used—and used effectively—here are seven essentials:

1. Ask the salesmen what they need and want.
2. Design a practical and convenient-to-handle selling tool.
3. Pre-test the selling aid.
4. Motivate your salesmen to use it.

5. Train them to use it effectively.

6. Insist that salesmen practice using the new tool before actually taking it into the field.

7. Follow up and see to it that your salesmen continue to use the new aid.

TRY A VARIATION OF BRAINSTORMING

■ IF UNBRIDLED BRAINSTORMING sessions haven't worked for you, perhaps a modification of the method will be productive.

"Idea engineering" is one such technique for producing ideas, suggested by Ernest Loen, management consultant. This is how his system was used by a midwest machine tool manufacturer.

Production was down, sales had dropped off sharply, profits were nil. Working with Consultant Loen, top management settled the target to shoot at—"How to improve our operations."

Next, an obstacle analysis workshop was called. Participants were top management, all department heads and some employees from each department.

Slips bearing the words "How to" were given each participant. Each man was asked to complete the phrase in the form of a problem that must be tackled to reach the goal.

The problems presented were then organized and consolidated by the consulting firm. The briefed

versions were fed back to the workshop participants to suggest in writing possible solutions.

End result of the idea engineering: a clear picture of current operations with failings and shortcomings revealed and the steps needed to correct them.

Side bonus: marked increase in employee morale and enthusiastic support of new measures being taken.

WRITE VACATION LETTERS TO BUSINESS CONTACTS

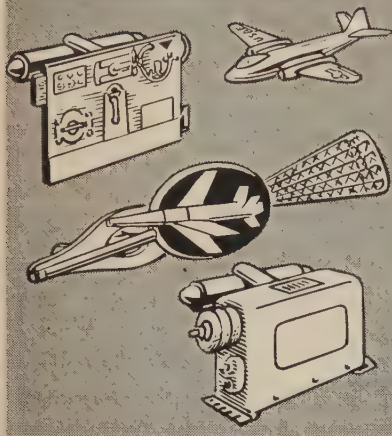
■ WHY NOT let your business contacts in on some of your vacation pleasure? Next time you visit Europe, Hawaii, the Orient or any other part of the world, don't entirely forget about your business contacts. A letter from you to a key customer is a flattering, unexpected



gesture that, at the least, is remembered with pleasure and might pay handsome dividends.

For example, Link Anderson, public relations director of the Santa Monica Bank in Santa Mon-

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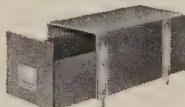
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(Circle number 104 for more information)

ica, Calif., went around the world recently. He had a wonderful time and at the same time got the maximum public relations value from his trip with very little trouble. Here's how:

Before he left, Anderson provided his secretary with a long list of names and addresses of friends and business acquaintances. Then each of his letters from abroad went to his secretary who cut mimeograph stencils and sent copies to all the names on Anderson's list. The first letter explained the correspondence system, the rest simply provided a running account of the highlights of Anderson's trip.

Note: don't forget to include the name of your local newspaper editor on your list. Anderson did and most of his letters were published in full.

GIVE AWAY COMPANY STOCK

■ USING THE THEORY that people work hardest for themselves, some companies now offer shares of their own common stock as prizes in contests, safety drives and convention drawings.

Scott Paper Co., for example, awarded three grand prizes of \$500 worth of Scott common stock to the winners of a 10-week contest for distributor salesmen. Faced with a choice of brands, it's only natural, Scott feels, for a distributor to push the products of the company in which he has a personal stake.

Ansul Chemical Co., in Marinette, Wis., has switched from cheese to chattels as give-aways for its convention drawings. Company officials believe that a share of stock not only keeps the firm's name in the recipient's mind, but is also a potent reminder of the value of the American economic system.

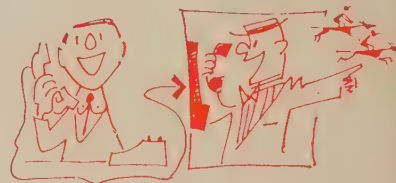
TIME SAVERS

GIVE BUSY EXECUTIVES PRIVATE PHONE NUMBERS

■ YOU CAN SAVE your time and the time of important business associates if you have a private number

direct phone on your desk. Giving this special phone number to selected customers and other key contacts allows them to bypass your company switchboard and your secretary, thus eliminating irritating delays.

Top executives at one New York



public relations firm have found three major advantages in this system:

It creates good will among clients.

It permits executives to control their own personal calls.

The individual phone bills give the accounting department a simple method of assigning long distance tolls to the proper accounts.

ORGANIZE ATTACK ON PERSONAL PAPERWORK

■ PAPERWORK and spot conferences had become time robbers for Maurice Mogulescu, president of Designs for Business, Inc., New York. To stop the waste, four steps were taken:

1. Key to the new system is the use of three colored clipboards on Mr. Mogulescu's desk. A red board signifies danger and to it are attached office memos dealing with urgent problems that need his immediate attention. A green board carries memos dealing with matters that are progressing smoothly but on which the president must be advised. A black board holds correspondence requiring answers. A secretary sorts all memos and correspondence and clips them to the proper board.

2. Implementing the colored clipboards is an intercom directly behind Mr. Mogulescu's desk chair. Through this he can discuss any

memo with its author instantly, eliminating much inter-office traffic and waiting.

3. Once each week the president and three top executives (each of whom has received copies of all memos) meet at luncheon for progress reports, policy discussion and decision.

4. Once each month the four top level men meet with the five major department heads for review and guidance of work in progress and discussion of future plans.

Thus, Mr. Mogulescu can keep tabs on every project underway in his 100-man firm as easily and quickly as he did when he started Designs for Business as a one-man operation.

PROFIT MAKERS

RUN A CONTEST FOR PRODUCT USE IDEAS

■ IF YOUR COMPANY is looking for new uses and new markets for its products, why not sponsor a contest?

Microbeads, Inc., of Jackson, Miss., for example, spent \$20,000 on a contest that brought in new ideas worth more than three-quarters of a million dollars.

Microbeads are the glass spheres used principally to reflectorize highway stripes and signs. Charles E. Searight, vice president of the firm, wanted lots of new ideas for using Microbeads and he wanted them fast. To get them he ran a contest open only to industrial scientists. His worries over whether scientists were too "sophisticated" to enter a contest, or were unwilling to submit ideas "for free," disappeared when 751 scientists from more than 700 firms submitted 1,436 separate ideas for using Microbeads. Some 25 of the suggestions can be carried out with very little additional research, others will take time to perfect. Searight feels, however, that within five years new industrial uses for Microbeads suggested by the contest will constitute 70% of the firm's business.

Added bonus: individual scientists, research laboratories and manufacturing companies throughout the country were made aware of

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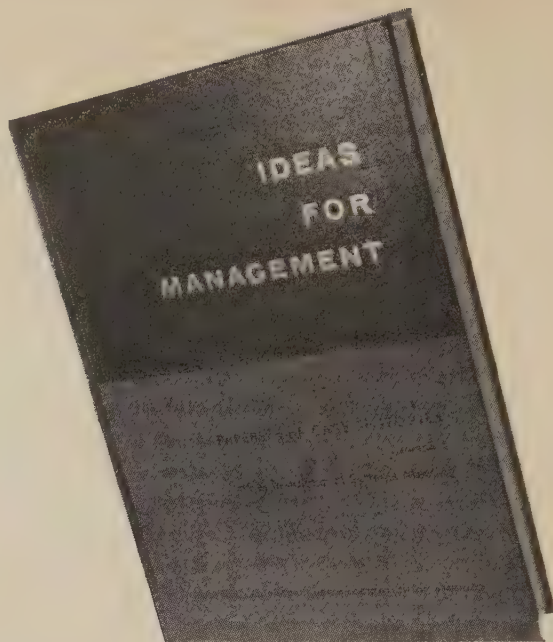
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Bringing management to electronic data processing

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The development and operation of an existing totally integrated system

Lessons to be learned from applying organization principles to a totally integrated system

The operating characteristics of the highly automatic factory

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Microbeads because of the advertising and publicity connected with the contest.

COST CUTTERS

HIRE STUDENTS ON PART-TIME BASIS

■ TOO MANY COMPANIES waste the time of regularly salaried employees to do routine chores that could be done by part-time and less skilled help. To eliminate this uneconomical practice, some firms, both large and small, have turned to local trade high schools and the commercial departments of academic high schools.

For example, one Eastern Pennsylvania contractor found himself swamped by paperwork. For \$1 an hour he hired a high school girl to take over simple typing and filing duties. The student arrives at his office after school every weekday and works from 9:00 a.m. til noon on Saturdays.

Depending upon school schedules, these part-time employees are available anywhere from five to 20 hours each week. Because school principals recommended only top-flight students, the employer is assured of quality assistance. The students may be employed on a continuing basis or retained to help out during rush jobs or during seasonal peak workload periods. What they may lack in practical experience they make up for in enthusiasm. The employer pays for help only when he needs it and the students get invaluable practical business experience.

APPLY EASY RULES THAT IMPROVE WORKER OUTPUT

■ YOU CAN INCREASE the workload of individual office employees and at the same time boost their morale. Impossible?

Lawrence H. Kolman, assistant treasurer of the Pepsi-Cola Bottling Co., Washington, D. C., lists six ways to make this system work:

1. Every employee must be made to feel important and a vital member of the office team.

2. Increase individual workloads but do it gradually. Explain to each worker that her ability assures the successful handling of the added duties, provided, of course, that she cooperates fully.

3. Encourage cooperation and reciprocal help among employees. It is only natural that at various times one person will complete his tasks before another. Willingness of one employee to chip in and help another should be recognized and praised.

4. Don't be afraid to commend employees for good work. Don't fall into the trap of believing that every employee praised will turn around and request a raise.

5. Award pay raises on the basis of individual merit rather than handing them out to everyone periodically. In the long run it's far better to grant salary increases to deserving employees than to hire and train new workers.

6. Maintain close supervision over each employee so that inefficient workers can be weeded out and replaced.

Many managers forget these simple rules, says Mr. Kolman, but strict application may cut office costs more sharply than more dramatic measures.

INCREASE WAREHOUSE SPACE WITH BETTER LIGHTING

■ YOU PROBABLY INSIST ON properly engineered lighting systems in your offices and plants, but how about your warehouses? Quality and quantity of lighting can make a big difference there too.

The Newport News Shipbuilding and Drydock Co., for example, felt that uneven and inadequate lighting was cutting down efficient use of warehouse space. Although main aisles were fairly well illuminated, side lanes, corners and the space around pillars were dungeon-dark. This not only cut down on usable storage space, but also made working in these areas dangerous.

A new lighting system was recommended by Ainsworth Lighting Inc., New York City. It uses 16-foot runs of Martlite fluorescent fixtures, originally designed for retail stores. This flexible arrangement permitted



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Poor inventory management causes more business failures than any other single factor! Inventory mismanagement is not always obvious—it's an insidious threat, a business malignancy, eating into profits so quickly and so deeply it's been called the Graveyard of American Business. Why not examine the health of your own inventory control. Unless your system —

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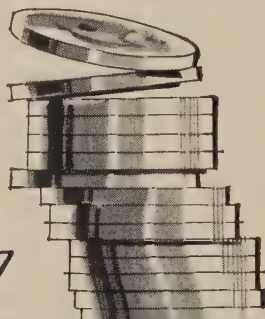


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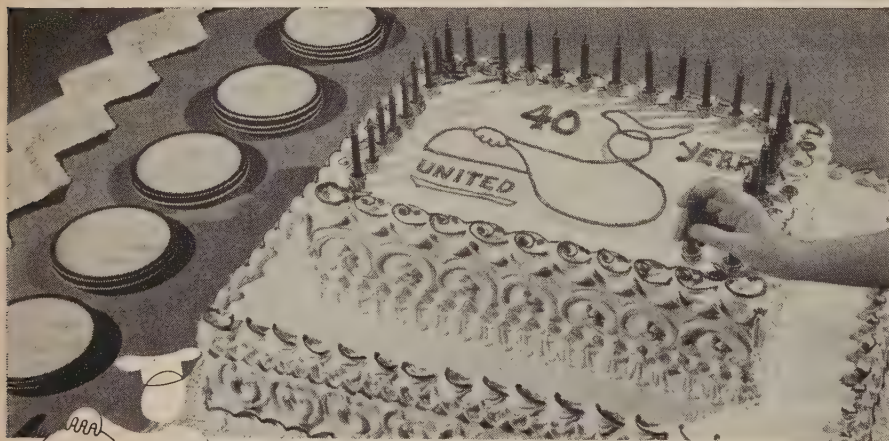
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(Circle number 158 for more information)

the company to install an almost unbroken pattern of glare-free lighting despite a maze of heavy beams, pipes and conduits running across the warehouse ceiling.

The new lighting system proved its value immediately by:

1. Increasing the over-all capacity of the warehouse through utilization of a greater proportion of existing floor space, and by permitting higher piling of items.

2. Speeding up actual storing procedures while at the same time making operation of forklift trucks and other handling equipment safer.

3. Making it possible to inspect materials at the storage site.

Initial cost of fluorescent lighting is relatively low, and because the Newport News system is free of the usual dust-catching louvers and shields, maintenance has been reduced to the occasional replacement of a burned-out tube.

MORALE BOOSTERS

USE STATUS SYMBOLS AS CAREFULLY AS PAY RAISES

■ THE GRANTING OF STATUS SYMBOLS can sometimes backfire and do more harm than good. If used wisely and well, these "extras" can do the job they were meant to do: attract and hold able people. But dangers lie ahead if the system is not carefully controlled.

A title that means something in terms of company responsibility carries real prestige and provides a powerful incentive to an ambitious executive. But if titles are handed out to too many, too often, they become meaningless and a potential source of trouble.

Guard against the symbols that have no real meaning within the company's business framework. The symbolic carpet on the floor can be spread so far that it does little more than create jealousies.

Weigh your status symbol system carefully; because they cost comparatively little, many companies have let them get out of hand. If this is true in your organization, re-evaluate the symbols themselves and try a little tightening up to get the picture of earned privileges back in focus.



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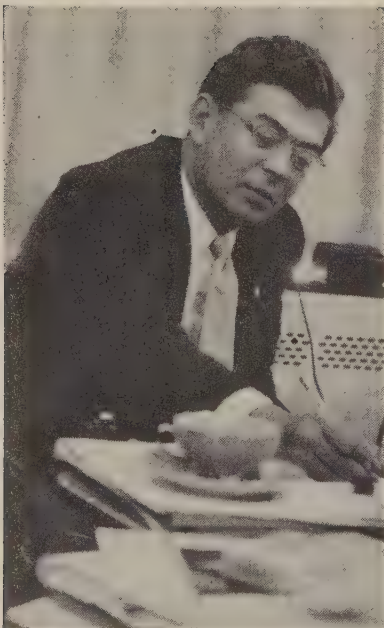
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(Circle number 108 for more information)

Cole of Federal Pacific—

How to compete with the giants

This small company faced a choice. Either it could have its business slowly choked off by giant competitors, or it could grow big and strong enough itself to compete on equal terms with the giants. Management decided to gamble on growth for survival. In this story of actions taken, you will find scores of ideas that will make your company more competitive.



Young Thomas Cole, 37, drives his company hard to keep it from being run off the road by his giant competitors.

Cole is president of Federal Pacific Electric Co., an electrical manufacturing firm with general offices in Newark, N. J., 22 plants stretching from Santa Clara, Calif. to Scranton, Pa., and about 4,000 employees.

This year the company has assets of more than \$42 million and boasts annual sales in the \$70 million range. Next year, Cole, who has taken Federal Pacific on an acquisition spree, expects it to be doing \$100 million a year. This compares with the \$1.5 million a year business that Cole stepped into in 1941.

Federal Pacific specializes in making equipment used to distribute and control electricity: its devices take power from the generating point and bring it down into smaller and smaller packages for use in plants, institutions, buildings, and houses. Among its 2,000 products are switchgear, transformers, service equipment, circuit breakers, motor controls, and electrical instruments. This line puts the company smack in

PROFILE OF A NEW KIND OF MANAGER



THE PROBLEM:

A small, regional company runs into outsized competition and technological change. To survive, it must rapidly multiply in size. Otherwise, it faces competitive extinction.

THE ANSWER:

Exchange the dubious comfort of a limited profit outlook for the immediate and stormy risks of rapid expansion. Map out a plan to grow faster than the industry and do so by using stepping stones neglected by the giants.

THE MAN:

Thomas M. Cole, President of Federal Pacific Electric Co., Newark, N. J.



the road of massive companies like General Electric and Westinghouse. Cole's high-speed growth program is an attempt to keep wheeling faster than these juggernauts.

In 1941, when Tom Cole entered the picture, the Cole enterprises consisted of two businesses. Tom Cole's father, a Long Island City assembler of job-order electrical switchboards and panel boards, sold largely in the New York area. He also owned a \$300,000-a-year electrical fuse box business that supplied parts to the Long Island City plant and sold to the trade. Tom Cole ran the fusible business and, during the war, both concerns prospered. By 1944 sales were spread over the Atlantic seaboard. Total volume was close to \$6 million, but trouble was brewing—and the Coles knew it.

Two things kept the Coles awake at night. First was the giants' discovery of package selling. Previously, G.E. and Westinghouse had contented themselves producing a handful of standard parts which independents, like the Coles, turned into tailor-made assem-

blies by adding components of their own manufacture. But now, not only were the giants redesigning and mass producing more and more components; they were also assembling them for direct sale to customers as a finished package.

Second was the fact that fusible systems themselves—the heart of switchboard and panel board installations—were under attack. Replacing them gradually were circuit breakers which unlike fuses did not have to be replaced to restore power, but merely had to be reset.

Not making circuit breakers, the Coles knew that eventually they would have to buy them from larger companies. They had been small but secure manufacturers. Now they were being turned into small and easily dispensed with assemblers of someone else's equipment.

Facing them were four alternatives. They could:

- Do nothing and hope for the best.
- Carve out a highly specialized niche for themselves in a corner of the industry.

This company discovered that in national markets you often have

- Diversify into other fields.
- Expand in their own field in competition with the behemoths.

The Coles took the fourth gamble, and won. But even with the company in its present size, Cole and Federal Pacific are still very much in midstride. Even if it wanted to, the company could not stop expanding into the giants' backyards—at least not yet. Furthermore, Tom Cole, who accelerated his company from small, to medium, to large scale operations in jig time, now faces another job: turning what was largely a one-man show into a large-company organization.

At the outset, Cole was concerned primarily with external problems of competition, physical growth and

new product development. Now he must turn to internal problems and build a large management team made up of the inescapable staff groups that every large company needs to co-ordinate its activities.

Anticipating that problem, he has already begun to hire top men to help him expand the company further.

From the details of how Cole bulled a tiny company into successful, across-the-board competition with the giants, you can garner useful suggestions on how to expand, or protect your own markets. And from Cole's present organizational problems and size, you can gain some insight into your own company's operations.

Long before facing any problems posed by sheer size, though, Cole had to unlock a set of much more immediate puzzles.

One big job remains: to turn what was largely a one-man show into a large-company organization.



to be big to get big

PROBLEM NUMBER 1:

How to gird for growth

National sales are achieved by the low cost acquisition of a money-losing plant.

■ Young Thomas Cole was convinced that the new product—circuit breakers—held the key to his company's independent expansion. But the prospects of entering this field were less than inviting. The Coles' existing business in fusible equipment demanded a minimum of tooling and engineering. Sales of several hundred units a month in local and nearby markets were enough to create a tidy profit.

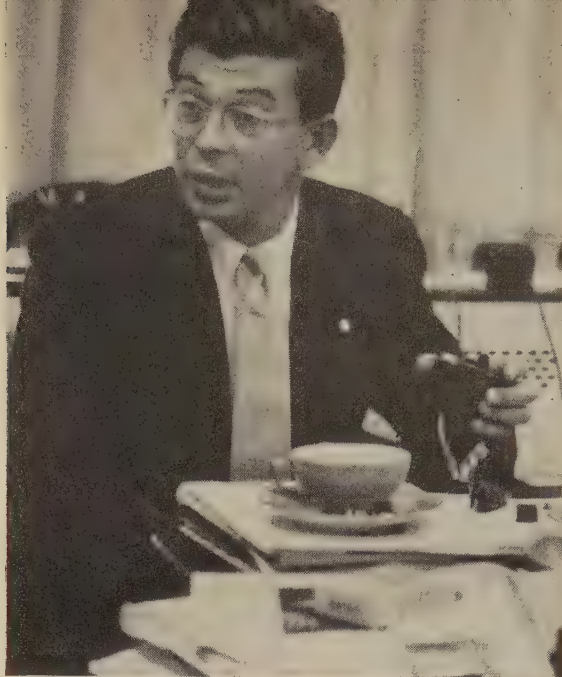
Circuit breakers were something else again. Most existing designs were tied up by patents in the hands of large, established companies. To get into the field would require tremendous engineering effort. Tooling would be so expensive that only high volume production would really pay. High volume, in turn, demanded national sales—something the Coles had never attempted.

They were in a typical small company corner. They had to grow to survive, but they were discovering that in national markets, you often have to be big to get big.

THE ANSWER

While Tom Cole mulled over possible plans of action, an opportunity presented itself that was to help the company make its first big move in the direction of circuit breakers. On Decoration Day 1944, Cole spotted a small item in *The New York Times* announcing that Colt's Patent Firearms Co., the Connecticut gun manufacturers, had decided to sell off several divisions not directly related to firearms production.

Colt's was then a respected but somnolent producer, strapped for cash by excessive production costs and government renegotiation of arms contracts. Colt's was selling properties to create cash.



"At one point we had to sell off inventory to meet the payroll, but in two months we were in the black."

One of the divisions up for sale was a 50-year-old plant in Hartford making laboratory equipment, circuit breakers and fusible equipment. The division, which hadn't made a profit in 22 years had, nonetheless, a plant, machinery, technical personnel, a national sales force, yearly sales of about \$3.5 million, and stature in the electrical field. Most of all, the division owned a pool of circuit breaker patents as good as any in the business.

When Tom Cole read the *Times* item, he rushed to the phone and called his father. L. W. Cole was unimpressed. "You don't get announcements like that until after a sale is made," said the senior Cole, sure that Colt's board of directors was merely going through a formality.

But at the son's insistence, the two men took a train to Hartford. They found not only that the business actually was for sale, but that the price was right: \$200,000 for the plant, \$300,000 for inventory. The patents—the one thing the Coles wanted—were to be thrown into the bargain for nothing.

After a walking tour of the plant, the Coles agreed to buy. The tour

had convinced young Cole that most of the plant's equipment was superfluous. Yet in 1944, wartime shortages had pushed the auction price of even 50-year-old milling machines as high as \$3,000 each. Thus Cole was able to sell off excess equipment from the newly acquired plant for a little more than the \$200,000 the plant had cost in the first place.

Tom Cole moved quickly to trim the payroll, eliminate loss items and institute tight budget control. At one point, cash ran so low he had to sell off steel inventory to meet the weekly payroll. But within two months, the Hartford operation was in the black.

National sales. With that significant accomplishment behind him, Tom Cole set to work on an even bigger job: creating a national company.

Fifteen or so of Colt's salesmen had come along with the Hartford acquisition. They formed the core of a national sales force for the operation. Within one year, Cole was able to quadruple his force of trained salesmen at little cost. He did it by obtaining authorization from the Veterans Administration to run an on-the-job sales training



"All we had to do was develop a new product, win acceptance for our name, establish a distribution system, and finance all this."

program at the Hartford plant under educational provisions of the G. I. Bill. He hired 50 war veterans from all parts of the country and put them through six-month training courses, with the government paying most of the costs. After training, the new men were returned to their home regions as sales representatives of the company.

But Cole wanted to achieve nationwide manufacturing facilities as well as nationwide sales. As a step in this direction, he acquired a switchboard and panel production operation in St. Louis, and started a new one in Los Angeles. These operations were designed to augment panel board production at the Long Island City plant, carve out additional markets in St. Louis and Los Angeles, and provide a built-in market for the circuit breakers being produced at Hartford.

With an expanding sales force and regional production, there existed the obvious need for sales and manufacturing management. To fill the sales management need, the Coles lured away from General Electric's Trumbull Division a knowledgeable and experienced sales executive, Robert C. Graves, who had been a Trumbull vice president. Manufacturing responsibilities were in turn delegated to a highly capable man within the Cole organization, John Romano, who became production chief.

Now, young Tom Cole was in a position to concentrate on creating further growth for the company.



By early 1949 total sales for the Cole enterprises were running about \$10 million annually, and growing. The company had a small national sales force and had made steps toward regionalized production. Tom Cole decided that the missing ingredient was a dramatic new product that would give the company a solid toe hold in the electrical market.

PROBLEM NUMBER 2:

How to gain a market foothold and expand it

A new product for a neglected market attracts distributors and pushes rapid expansion.

■ The product Cole was after was a low cost circuit breaker. At that time, breakers had only 10% of the breaker-fuse market. They were growing in popularity, but were bulky, awkward to manufacture, and—most important—twice as cost-

ly as similarly rated fuses. Both in sales and development, breakers were being neglected by the giants; these big companies were too busy frying fish elsewhere. Meanwhile, the postwar housing boom was creating a brand new market for low voltage protective devices—either fuses or breakers—that no one was tapping aggressively.

This, Cole thought, was the soft spot he had been looking for. If to the housing industry he could introduce successfully a low cost, high volume breaker, he could get the leverage he wanted. In the bargain he would also obtain the strength—via profits, product acceptance, and basic manufacturing volume—that would enable him to expand into adjoining fields, perhaps the larger, higher voltage industrial circuit breaker. But first Cole had to:

- Develop the product.
- Win acceptance for it from electrical contractors who had never heard the Federal name.

■ Establish a distribution network at a time most dealers were already tied in with established manufacturers.

■ Capitalize on whatever success he had with the product by developing new, related products and new markets.

THE ANSWER

Working with Federal engineers himself, Cole started out developing a prototype of the breaker he wanted. Design after design was rejected, but finally they got it, a breaker based on Colts' patents that was small, easy to handle, and able to be produced by automatic machinery. Next came the development of this machinery. In 1949 Cole and his staff started on this, and although a few tempers were frayed in the process, the first machines were on the line the following year. Now household circuit breakers could be turned out at prices comparable to fusible devices, and Cole was ready to make his next move—lining up distributors. This he accomplished by making big company moves on small company budgets.

There were then as now about 3,300 electrical distributors in the U. S. Some of the big ones were already tied in to such an extent with other manufacturers that anything Cole did would have no effect. In all, only several hundred were really good distributors, but few of these had ever heard of Federal or of its new household breaker, which Cole had named Stab-lok. It was at this hard core of distributors that Cole decided to aim.

The campaign Cole plotted was three-pronged. First, he set out to catch national attention by placing teaser ads in the industry press months before Stab-lok was to be introduced. Then, he hit the local regions. He staged a series of local shows for customers and he showed there among other things a specially produced movie (an innovation at the time). Pushed hard was the profit potential. Every electrical distributor and contractor who latched onto Stab-lok, Federal said, would find it more than worth his while. Finally, again in the local regions, came the follow-up campaign. This included literature and

sales brochures all slanted toward helping the distributors sell *their* customers, and it was carried out by the men Cole had trained previously and located in strategic areas.

Actually distribution was planned to start off regionally. Looking at its slim resources, Federal adopted the strategy of local market hopping. Concentrating on one local market, it would capture that, then move on to another—until eventually the entire country was covered. Texas, where a lot of new housing was going up, was chosen as the place where the campaign would start.

But the plan of state by state distribution had to be abandoned almost before it began. Reason: distributors in all states rushed into the act. The campaign started off with a bang and overnight it was national.

By 1951 Federal's sales had risen to about \$13 million, by the following year to \$16 million. Federal had 50% of the rapidly expanding circuit breaker market. Since then, although total sales in the field have kept increasing, the com-

pany's share has been whittled down to about 40%. But Federal no longer counts on circuit breakers as it once did for its very existence.

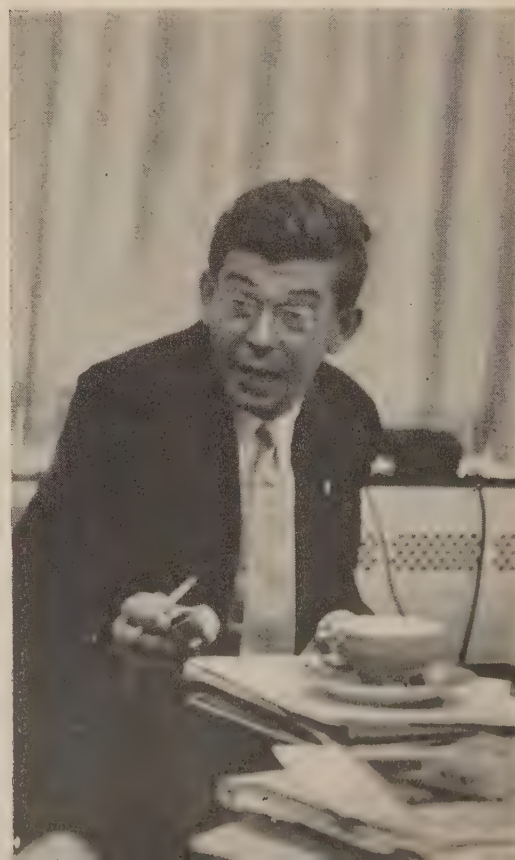
A new industry. While the revolution in household breakers was still taking place, Federal also rushed into the industrial circuit breaker business. These devices fit into panel boards and switchboards, which themselves are largely a job order business where local plants supply goods to customer specifications. Federal was already making some industrial breaker models. But Cole redesigned the line on Stab-lok principles, expanded it, standardized it, and set out to mass produce it.

Then, he built up a built-in market for these devices. In the next few years, he purchased or constructed seven regional switchboard and panel board plants across the country. Shortly, these plants were taking 50% of all breakers turned out by the parent company.

To capture even more of the market, Federal capitalized on its position as a small newcomer to

(Continued on page 72)

"We adapted to our merchandising problems the kind of methods that worked in other industries."



by Ray Josephs

Stop wasting your **time**, Mr. Executive



Your own time is your only really priceless commodity. Yet in even tightly managed companies, it's common to see harassed executives dissipating their time like squanderers. You can stop this costly waste if you apply the same kind of management *to* your job that you apply *in* your job. Here's how.

The scene: a beautifully organized company. Modern machines are rhythmically whirring. The over-all organization is scientifically designed for smooth, rapid workflow. With crisp efficiency, men and women are performing the jobs that have been carefully planned for them to do.

Now, for contrast, the scene changes; a closeup of a top executive's office in the same company. The executive sits behind a desk strewn with reports, letters, tallies. Nearby on the carpet lies a briefcase stuffed with more papers. The phone is ringing. On the executive's right stands an assistant who has

just barged in with a problem to be solved. On his left stands his secretary, notebook in hand, reminding him of a meeting in 10 minutes. Beside the desk sits an important caller, twiddling his thumbs impatiently.

Can you see yourself in the center of this closeup? If not, you can no doubt sympathize, out of personal experience, with the harried executive who sits there.

The fact is that many executives, so conscious of time-and work-saving methods for other jobs, have shackled themselves to old-fashioned, inefficient methods for their own jobs.

There are ways to break these shackles, as professional managers have proved. By breaking the shackles, you can add minutes and hours to your day, enjoyment to your job, value to your company, even years to your life, and throw away the bulging briefcase.

You can start right now by deciding to undertake the following six-step action. These steps may sound overly simple, but experience shows that they do get results:

1. Define your executive functions.
2. Plan the goals you want to reach.
3. Schedule your daily activities

and be sure to meet the schedule.

- 4. Cut decision-making delays.
- 5. Delegate jobs others can do as well as you.

6. Cut down time robbers like phone calls, correspondence, interruptions.

Now take a closer look at each of these six actions, plus other ways to stop wasting time.

Define your executive functions

■ Why is it necessary to spell out your functions if you already know what you're doing?

Nearly all executive training experts agree that a man makes far greater progress in his work if he is able to describe his own job clearly—in writing. Only then, they say, can you realize your full potential, the relative importance of your various jobs, and the interrelation between your assignments and those of your subordinates and superiors.

One of the easiest ways to outline your job is to make a job profile—a chart with three headings: specific tasks, responsibility and authority, immediate and long-range projects.

A job profile has these advantages:

- Details what your job involves for perhaps the first time.
- Points out the need for re-organization if you are taking on too many jobs.
- Spotlights major objectives which may have been lost in a welter of detail.
- Corrects unintentional bias arising from concentration only on interesting, challenging jobs.
- Helps in picking a successor when you know a job's specific requirements and functions.

A time study is an essential factor in streamlining your workload to make every minute count. Your job profile is the basis for a time analysis of your present activities.

An easy way to do a personal time study is to make a daily chart, dividing each hour into 15-minute segments.

"A quarter hour is just about ideal for recording executive functions," claims Lee Patrick Chap-

EXECUTIVE TIME SURVEY

Developed by Executive Time Studios, Inc.

DAY

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The question to ask yourself is not how hard or how long you work

man, director of Executive Time Studies, Inc. "More subdivisions get too detailed and anything larger is too big to be accurate."

The chart shown in *Figure 1*, developed by Executive Time Studies, Inc., will give you an idea of how to subdivide your day.

Indicate what each time segment is devoted to: routine office activity, planning or supervisory work, outside contact work, and so on. It might be helpful to jot down time used in phone calls, dictation, instructing subordinates, and other small time consumers.

Make these daily time charts for about six weeks, then analyze the picture they give you. If you find that less than half of your time is being spent on planning or supervising, you should delegate some of your more routine jobs.

"Budget your time as carefully as

you budget money and you'll reduce waste and frustration, develop better balance of major and minor activities, and increase your capacity for important work," says General Georges F. Doriot, president of American Research and Development Corp. and professor of management at the Harvard Business School.

If you stick to your time budget, you'll find you can do in 15 minutes what now takes you 20 or 25 minutes. The minutes are your answer—they add up.

Plan your goals—schedule your plans

■ "Plan in advance how a job is to be done, and it's more than half accomplished," says industrialist Henry J. Kaiser.

Often, an executive's work load

seems heavy because it's poorly planned, loosely scheduled and loaded with trivia. Definite plans for long-range projects plus daily activities can trim wasted effort, reduce that overweight workload.

Will emergencies disrupt the plan? Not according to an American Management Association survey. AMA found that the largest single chunk of a top executive's time is devoted to planning and organizing personal and company activities. More important was this significant fact: executives with the most far-sighted plans had to devote less than 5% of their time to emergencies.

Marketing Vice President George Weissman of Philip Morris Co. adds these advantages to good executive planning:

■ Makes you think through to logical conclusions.

Ray Josephs, author and public relations consultant to many of America's leading companies, is a specialist at finding ways for executives to save time by using it more wisely. For example, his article, "How to make the 5:05 without a briefcase," in the January 1956 issue of *Management Methods* was one of the best read features the magazine has ever published.

Based on his own contacts with busy, successful executives across the country, Ray Josephs recently authored a new book, *Streamlining Your Executive Workload* (Prentice-Hall, Inc., Englewood Cliffs, N. J., 203 pp., 1958, \$4.95). The accompanying article, based on research for the book, highlights some of the hundreds of specific techniques detailed in the book's 20 chapters.

Living proof of his own theories, Ray Josephs is shown here in a corner of his deskless office. He uses a clipboard on which to do his writing and has a Dictaphone Timemaster built into the bookshelf on his left. He believes the hands-free telephone at his right to be one of the biggest aids to a busy executive, since it permits him to handle other assignments while waiting for calls. He says the deskless idea is invaluable to men who spend a good deal of time in informal conferences.



—it is how much work you get done in a normal working day.

- Causes you to get information needed to create effective action and good follow-through.
- Helps you choose alternatives—some better than your original approach.
- Alerts you to follow-up possibilities.
- Keeps you on top of your workload rather than under it.
- Outlines a course of action after planning—research, decision-making, specific delegation, motivating others.
- Keeps you on course if your job takes you away from headquarters.

Planning for broad goals lets you see at the beginning alternatives, hidden costs, short cuts and even “bugs” in the plan that you can’t otherwise anticipate. The more you weigh each facet of a particular job, the more likely you are to develop fresh, original approaches.

A smooth plan serves you in other ways. It keeps your goals in sight at all times and it saves you time you might ordinarily have spent rushing around trying to decide on subsequent steps in the operation.

A word of warning, however: Don’t make your eventual goal too ambitious. It’s better to set more limited objectives with better chances of accomplishment. The overly ambitious man often feels bitter, resentful or frustrated if he can’t achieve his goals.

Scheduling your day for optimum efficiency is as important as developing a plan for your objectives.

Careful, deliberate scheduling can give you an extra two hours a day. Go down your list of jobs on your job profile, dispensing with those that you specifically do not have to do. When you have a list of “musts,” ask yourself how you can cut each one down to take less time and effort.

Planning outlines the overall picture and scheduling gets right down to the immediate problem—how to best handle your tasks in the next hour, the next day, the day following. Your schedule must be, in ef-

fect, your day-to-day plan—well-conceived, constantly carried forward, designed to do a job for you.

Now is the time to use fresh copies of your 15-minute time segment chart. Opposite each time, write down a job. If possible, combine two or more tasks. Try to let one assignment lead into the next. It makes for a smoother schedule.

Schedule your in-office appointments in one block, rather than dotting them throughout your day.

You work best when freshest. Since all of us work best at different times of the day, you’ll have to decide what your optimum period is. Put the unpleasant or difficult jobs in that segment. If you leave them to a later or slower period of your day, you only make them more difficult or unpleasant.

Another hint: schedule the largest or hardest jobs for Monday or Tuesday. Chances are you’ll have more free time then. And doing the jobs early gives you the psychological feeling that the week’s “hump” is over.

Some efficiency experts say varying the types of jobs in your schedule leads to the most productivity. Writer Walter Pitkin, for example, often worked on three books at once, shifting from one to another when he found himself bored or at inspiration’s end.

Variation minimizes monotony, the cause of most mental slumps.

At the end of the day, take 10 minutes to go over your schedule for the next day. By organizing the following day before you leave, you’ll have less concern about your office when you get home.

Delegation—key to load lightening

■ Most executives can liberate from one to three business hours by fuller delegation. That’s the conclusion the Young Presidents’ Organization reached after a study of 400 members.

Naturally, you’d prefer to delegate your unpleasant tasks, and re-

tain those you enjoy. You might hesitate to delegate those jobs you know you can do faster and better yourself.

These four criteria can help you decide what to delegate:

1. Is it a policy item? If so, don’t delegate it.

2. Is it repetitive or routine? If so, delegate it.

3. Do my subordinates have the ability and facts to make the necessary decisions? If so, delegate it.

4. Is there really a choice—can I even consider spending time in this area in relation to other items of far greater importance? If not, delegate it.

An American Management Association survey listed the reasons why more executives don’t “farm out” enough work: they feared the delegated duties wouldn’t be handled properly; they lacked an organized delegation plan; or they failed to hire, develop and sufficiently pay subordinates of the desired calibre.

Subordinates, including secretaries, of the best delegators told the Ohio State University Personnel Research Bureau why they considered their superiors good delegators. The two outstanding delegation characteristics of these executives



DR. DONALD LAIRD

“It’s hazardous for an executive to start delegating just to make his job simpler. On the other hand, when your motivation is to strengthen the organization, you’re more likely to look for unused talents among your workers and delegate accordingly.”



C. R. Smith of American Airlines, on delegation:

"Delegation was the key step in my climb from employee to the presidency of American Airlines. When I got my first assistant, I was dissatisfied with almost everything he did. It took so long to explain what I wanted and so long for him to do the job half as well as I, that I figured more time was wasted than gained. Then I realized that so long as I was limited to doing what I could accomplish myself, I'd always be short on time with no real advancement opportunity. So I concentrated on getting and training industrious and competent aides to do the job, even if they didn't operate exactly as I might have. Each brain and pair of hands I trained helped give me more time to develop myself further and move ahead."

were 1) consideration and 2) good communication.

For consideration, replies were similar to this:

"He's careful not to hurt our feelings."

"Shows pleasure at a job well done."

"Doesn't insist on doing it his way."

For good communication:

"Clearly defines any problem he assigns."

"Informs us on company rules and policies."

"Tells us the company's over-all goals."

Since delegation ultimately helps the over-all coordination of the organization, the human factors are all-important.

The man who delegates too much work is likely to be in the same fix as the man who delegates too little, however. If the executive is continually interrupted by assistants seeking his approval or criticism, his time for creative thinking and planning is seriously cut.

"It's hazardous for an executive to start delegating just to make his job simpler," summarizes Dr. Donald Laird, co-author of *The Techniques of Delegating*. "On the other hand, when your motivation is to strengthen the organization, you're more likely to look for unused talents among your workers and delegate accordingly."

"Delegating is not a streamlined gadget you can put on top of your desk, wind up every Monday morn-

ing, then forget about until the next Monday. It's a pattern of human relationships woven into your hour-by-hour activities and decisions."

Knowing what, how much, and to whom to delegate is essential in really streamlining your workload.

Cut down on time robbers

■ Many busy executives find themselves mired down in telephone calls, reading and writing letters, and interruptions. With a little effort, these time robbers can turn into time savers.

The telephone kept ringing inside a New England farmhouse while the farmer stood talking to a passer-by.

"Pay it no mind," the farmer advised. "I put that phone in for *my* convenience."

Although his phone's purpose is to speed communication, too often the busy executive uses it unnecessarily, or talks too long, or finds phone calls interrupting important projects.

"If you don't become a master of your telephone, it can easily run you." So says real estate developer William Zeckendorf.

Here are some obvious but often overlooked tips to make your telephone work for instead of against you:

1. Is the call really necessary?

2. Is the phone the best way to get or convey the necessary information?

3. Be specific while talking. Eliminate conversational frills.

4. Be prepared when you call. Don't waste time looking for information during the call.

5. Call when you're sure you can reach your party.

6. Screen your calls. Your secretary can say you're out when you don't want interruptions.

7. Make sure you have the best telephone equipment for your job.

8. Don't be ruled by the ring.

Those letters are other time eaters. Here are some ways to speed your correspondence schedule.

Answer letters as soon as received. That gets them out of the way for the rest of the day. One executive jots down a brief reply on each letter as he reads it. Usually his secretary can answer the letter from the notation. If he

(Continued on page 61)



HENRY J. KAISER

"Plan in advance how a job is to be done, and it's more than half accomplished."

How to use Seven secrets of persuasion

Science has backstopped the fine art of selling. Here are the results of a practical study made by Yale University on methods of persuasion. These findings tell you where, when and how to press the prospect's "hot buttons" of self-interest in order to win acceptance of your products, service or viewpoint.

Should a salesman present his strongest argument first—or save it for the close? When, if ever, should a prospect's fears be built into reasons for buying? Should a salesman ever admit a negative fact about his product? Does it really help—or hurt—to get the buyer "into the act"?

Some startling answers to these and other questions about persuasion have emerged from the Psychology Department of Yale University, where a group of social scientists, working under a grant from the Rockefeller Foundation, recently scrutinized the effects of different tactics on buyer psychology.

For the sales minded executive, concerned with the methods of persuasion used by his company's sales people, the results of the Yale experiments offer a gold mine of profitable information. Reached under laboratory conditions, the findings are neither colored by personal opinion nor slanted by individual experience. They are tested, measured, proven.

1. Can you afford to give both sides of your story?

Many salesmen, committed to

the power-of-positive thinking approach, argue that bringing up negative points about their product in a presentation is the sure death of a sale. "Talk yes, get yes," they contend.

Here's news from Yale:

Experiments prove that with at least three types of customers, you will stand a better chance of closing a sale by deliberately bringing up the negative points about your offer, as well as the positive. Which types of prospect?

- 1. The educated one.
- 2. The prospect who disagrees with you at the very outset.
- 3. The prospect who is exposed to subsequent arguments against your product from competitive salesmen.

On the other hand, exactly the opposite strategy will work for you when:

- 1. The prospect is uneducated.
- 2. Agrees right off with your viewpoint.
- 3. Is not likely to be solicited by competitive salesmen.

In these cases, the studies show, it's best to stay strictly positive.

In a nutshell: if you are selling in a highly competitive field, where the prospect is likely to be ap-

proached by other salesmen competing for his business, you can largely neutralize their arguments by anticipating — and answering — them in advance. In effect, you arm the prospect with reasons for ignoring or discounting the arguments he will hear against your product. Thus "innoculated," he will tend to retain the positive conclusions you have planted in him; in fact, he is likely to take pleasure in resisting your competitors with reasons he has already accepted as convincing. The result: a sale.

2. When to admit limitations

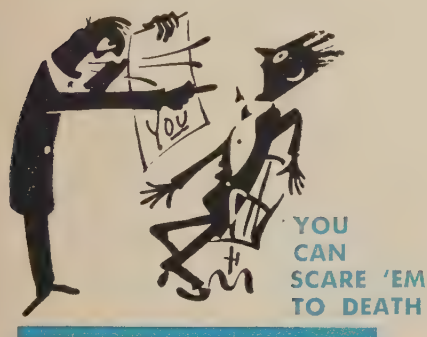
Two groups of people were exposed to identical presentations on the rewards and drawbacks of a

GIVE GOOD POINTS FIRST



common household product—with one small difference. The first group was informed of the rewards of owning the product, *then* told of the drawbacks. This order was reversed with the second group. Several weeks later, both groups of individuals were questioned. The first group had bought almost twice as much of the product as the second group.

Psychologists call this the “primacy effect.” That is, what a prospect hears first lingers with him longest. If you list the benefits of a product or service before the drawbacks, you create a “that’s-for-me” state of mind. Start with the drawbacks and you create a “no-thanks” attitude.



3. Is it safe to let the prospect draw his own conclusions?

■ The Yale group discovered that the answer to this question depends on two factors:

1. Does your proposition involve the prospect personally—or impersonally?
2. Is your proposition a simple one—or complex?

When the prospect is highly educated or intimately familiar with the subject, it is unnecessary to spell out the conclusion for him. In fact, he is apt to be insulted by your presumption in “drawing diagrams.”

An insurance salesman, for example, need not map for a banker the major advantages of creating an immediate estate; he may very well have to itemize them for a laborer. An encyclopedia salesman doesn’t

have to go into the same kind of details with college graduates as he may with high school graduates.

When the product or service is an “ego-involving” one (automobile, home, furniture, jewelry, clothing, rent-a-car), the potential customer is strongly motivated to make up his own mind. When the product is an impersonal one, however (raw materials, business systems, machinery), the prospect tends to welcome conclusion-drawing by the salesman.

Complexity is another factor. If the benefits of a product are obvious, emphasis on them by the salesman makes little difference. On the other hand, if they are involved (hidden tax benefits, for example) and the steps leading from the premises to the desired conclusion are not immediately obvious, the salesman should spell out in detail the benefits he is offering.

4. Fear—your friend or foe?

■ “You won’t be popular unless you use our product.”

“You wouldn’t want to leave your family in want, would you?”

“You’re losing money by not carrying our line.”

Much effective selling is based on a threat, hidden or obvious. But just how powerful a selling tool is the old-fashioned scare? What are its limitations?

While much work remains to be done in this area, a good deal is already known about the efficacy of threat appeals in selling.

The Yale group found, for example, that three things occur when a prospect is exposed to a threat appeal. He thinks, “This might happen to me.” He grows tense. And his tension is reduced as he listens to the salesman explain how to avert the threat. Most important, this reduction of tension operates as a *reinforcement* of the salesman’s recommendations.

However, there are three built-in pitfalls in the threat approach.

■ Each of us is equipped with a kind of unconscious blackout system. When we experience something too oppressive for comfort, we drop a curtain over it. Therefore, if the salesman creates *too*

much anxiety, the prospect simply tunes him out—he stops taking seriously what he hears.

■ Sometimes, when the threat creates more anxiety than we can tolerate, we react with aggression toward the source of the threat. In selling, this can take the form of a prospect rejecting or refusing to believe the salesman’s statements.

■ If the threat is more than we can handle, we sometimes develop a psychological defense against it. Scare a prospect too much and he may unconsciously pull a blank when he later tries to recall what you said . . . or lose interest in the subject altogether . . . or deny to himself the importance of the threat. In any case, he remains unsold.

In short, the threat is a powerful selling tool—up to a point. Past that point, it ceases to sell at all! it simply paralyzes. The word: moderation.

5. Should your prospect “get into the act”?

■ Yale’s answer, corroborating the experience of most salesmen: an unqualified “Yes!”

But what if the salesman is selling an intangible—or a product with long range benefits? It’s obviously one thing to get a prospect to test-drive a car or hammer a piece of unbreakable glass or use a tool. How, though, can you get the potential customer for a piece of real estate or an insurance policy “into the act”?

There is a way—powerful, convincing, practically sure-fire.

It’s called “verbal conformity.” Put simply, the Yale scientists discovered that “saying is believing.” Get a prospect to repeat all—or a part—of your presentation in his own words *and the simple act of saying will influence his private convictions*. Several methods for achieving this “verbal conformity” suggest themselves. A salesman might ask the prospect to explain the product or proposition to his wife, partner or colleague. He might suggest the prospect dictate a memo on the subject. He might even purposely grope for words, allowing the prospect to fill them

in. The point is—get the prospect talking.

There are three vital advantages to this technique: the prospect invariably puts the message in his own words, thus picturing more clearly in his own mind the benefit images you are trying to create. The words he chooses are those that have the most emotionally loaded meanings for him (something no salesman can ever know for sure). And by encouraging him to put it in his own terms, the salesman boosts the odds that at a later date some reinforcing situation will occur to remind the prospect of the presentation.

For instance, suppose insurance agent Smith doesn't know that prospect Jones would like to assure a substantial donation to his alma mater. By permitting Jones to put the benefits of increased insurance into his own words, Smith may get Jones to say to Mrs. Jones, "This extra insurance would be a wonderful way to do something for the university." Having said that, days after Smith has departed, Jones will think of the increased insurance whenever he receives literature from his school, drops in at his university club or discusses college life

with friends. They represent "reinforcing" situations.

A word of caution: make very sure that the prospect understands your message before he puts it into his own words, for the Yale experiments indicate that if he bungles his "performance" he grows dissatisfied with himself—and transfers to the message his inadequacy in explaining it. If his performance satisfies him, the message tends to satisfy—and persuade.

6. Does repetition pay off?

■ Only up to a certain point. A message—any message—is remembered better if it's heard twice instead of once, three times instead of twice, four times instead of three times. But, according to the results of intensive experiments, there is little improvement in the prospect's retention of your sales story after the fourth repetition.

Lesson: if you haven't sold after the fourth approach, lay off for a while. Then go back and start over.

7. Different prospects, different tactics

■ Persons low in self-esteem and self-confidence tend to be the most easily persuaded. These uncon-

sciously seek the approval of others whom they automatically accept as superior to themselves.

And who is the prospect with the greatest sales resistance? The "nervous," neurotic, habitually suspicious person.

Further, say the researchers, persons of high intelligence or good education tend to be swayed less easily by emotional appeals than by impressive logic supported by acceptable proofs.

People of low intelligence respond more readily to emotional selling, are less critical, less easily moved by logical arguments. ■

OR DROWN
'EM IN
TEARS



12 WORDS THAT TRIGGER ACTION

TV and radio advertisers invest millions in commercials that must back persuasion into every precious moment. Here are 12 of the most persuasive selling words as discovered by expert research.

you	results	love
money	health	discovery
save	easy	proven
new	safety	guarantee

Have you made your foremen

Don't blame your foremen if they are weak leaders. Such weakness is commonly management's fault. For a fresh look at your foremen and their problems, rate your company on this check list. The process may reveal the reasons for a lot of wasted potential.

By Robert A. Heintze

You can ignore all the hogwash about foreman relations if you accept one proven point:

Subordinate managers will be only as strong as you allow them to be.

Listen to E. Finley Carter, director of Stanford Research Institute: "I have found that by and large people endeavor to live up to the reputation you hold for them. If a man really believes that you expect something of him, he tries very, very hard to live up to those expectations. I have found this to be true in family situations, communities, and I have also found it to be true in business."

There is no need to recite the value of having foremen who live up to your expectations. Selecting the right men is the first requirement. But why do so many good candidates fail to spark? Frequently it's just because management fails to add the trimmings that make the job important. For instance, a telephone, a desk, a nameplate or a public commendation can do more to ignite a foreman than hours of talk by his boss.

Has your company created foremen or forenice? To find out, score your company on this check list. If the total score for the 12 items is less than 24 points, new action is clearly required. ■

IDENTIFICATION WITH MANAGEMENT

WORTH 3 POINTS

Paychecks are handed out by the foreman. Safety, suggestion and other special awards are presented by the foreman.

Foreman on regular salary plus bonus.

Foreman has desk and chair.

Foreman has special management prerogatives, i.e., special parking space, no time clock to punch, name in company phone book, dines in management dining room, special locker facilities.

Foreman has final say on hiring new man. May accept or reject recommendation of personnel officer.

Foreman and personnel officer work together on personnel problems. Personnel officer merely counsels and recommends.

MANAGEMENT RESPONSIBILITIES

1. Foremen are briefed at periodic meetings.
2. Foremen's ideas or questions are welcomed by higher management.
3. Foremen receive up-to-the-minute reports when a major company event is in the making, i.e., special meeting for explanation of company financial reports just before they are released to the public; daily progress reports during union negotiations.

Foreman is recommended for a good record or a job well done. Good performance as well as bad is recognized and acknowledged by higher management.

Higher management has investigated to ascertain whether foreman needs clerical help.

SECURITY

Management backs up the foremen's decisions in front of his men. If it becomes necessary to reverse the foremen's decision, higher management always lets the foreman inform his men of the change.

General policy is to keep foreman on full pay and permit him to retain his post during minor downtrends in the company's business, thereby stabilizing the foreman's security and morale.

General foreman and superintendent jobs are filled by promotion from foremen's ranks wherever possible.

men or mice?

WORTH 2 POINTS	WORTH 1 POINT	WORTH NOTHING	SCORE
Not applicable or not feasible in our company.	Paychecks are passed out by an outsider. Suggestion and safety awards are presented by someone outside the department.		.....
Foreman on regular salary.	Foreman on hourly pay (short paycheck for short week).		.....
Foreman has worktable and chair.	Foreman has only a stand-up desk.	Foreman just a lead worker. Has no desk.	.....
	Foreman lacks special prerogatives of management.		.....
Foreman and personnel officer decide jointly on the hiring of a new man.	Personnel officer either hires new man outright or is usually able to pressure foreman into agreeing on his choice.		.....
Although personnel officer doesn't dictate to foreman, he can count on higher management's habitual failure to back up line officers anytime he wants to refer a personnel question to higher authority.	Personnel officer is in the habit of dictating to foreman on personnel problems.	Personnel officer has been known to dictate instructions to foreman in presence of a worker with a complaint.	.....
Foremen are not only briefed on policies and problems but their recommendations are solicited where possible (policy thinking should not be confined completely to executive level), i.e., foremen are asked what effect future plans or policies will have on the work force and whether such plans are workable.	Foremen's meetings are held at least every month with foremen being advised as to current problems and decisions.	The foreman is often just as much in the dark as workers about the purposes that underlie management policies. Foreman often has to learn of company problems or decisions through the grapevine.	.....
Although foreman is promptly criticized when things go wrong, he gets an occasional "pat on the back" for a job well done.	Foreman is left alone as long as his department is functioning smoothly. However, criticism or penalty will be swift in coming if things go wrong.		.....
	It has never occurred to higher management that the foreman might need clerical help. If the foreman has appealed for such help higher management has never been sufficiently interested to investigate the matter.		.....
	Higher management has been known to reverse foreman's decisions in front of his men.		.....
	Usually, foreman is demoted to ranks or put on short pay every time business tapers off.		.....
	Higher management is inclined to bring in outsiders or special trainees to fill general foreman and superintendent jobs.		.....
			TOTAL

Lease it—don't buy it!

Equipment leasing frees working capital, permits big tax savings, offers other benefits. Companies of all kinds that sell to business now offer lease plans. And firms that specialize in equipment leasing are springing up everywhere. In this article, the president of one such leasing firm gives figures from actual case histories to demonstrate how leasing can be used by the cash conscious businessman.

by Robert Sheridan

■ To conserve working dollars, you can now lease just about any kind of equipment you need for your business—from adding machines and autos to heavy plant equipment and fishing scows.

Is long-term equipment leasing just a tax saving fad that will fade as quickly as it blossomed to prominence?

Not according to a study by the Foundation for Management Research. The study shows that in 1950 leasing accounted for less than .5% of productive equipment used by business. Last year the figure went up to 2%. By 1964, says the study, "equipment leasing will increase its dollar volume sixfold, and five times as many companies will lease production equipment as do today."

Businessmen give eight common reasons for leasing, rather than buying:

1. Working capital is preserved.
2. Normal bank lines remain undisturbed.
3. Equipment leasing offers 100% financing, as against a maximum of 75% or 80% through other methods.
4. Equipment is paid for out of before-tax earnings rather than after-tax profits.

5. Cost cutting equipment can be installed immediately to strengthen competitive positions.

6. Tax-timing advantages may result.

7. Leasing provides a hedge against inflation and rapid obsolescence of equipment.

8. Long term financing is obtained without diluting ownership or control.

Preservation of liquid working capital, so that it can be used to earn profits rather than be frozen in equipment, is the major reason why companies decide to lease.

A chemical company case

■ The example of an important East Coast chemical company reveals the importance of this reason clearly. The company is a prime contractor for solid fuels for the missile program in addition to other operations. It is a publicly held, listed company which, in its last fiscal year, showed an increase in sales of 50%, from \$20 million to \$30 million. Its latest balance sheet shows current assets of \$9,108,000 and current debt of \$7,092,000, or a current ratio of 1.27:1.

This company recently moved into a new building to house its en-

gineering personnel. The building was not air conditioned. After careful examination of alternatives, the company decided to lease about \$35,000 worth of air conditioning equipment—five 10-ton York package units and one 15-ton York package unit. Terms were a three-year lease at \$1,110 per month, with renewal options.

The overriding reason for the decision to lease was that purchase would reduce available liquid working capital. In its last published statement the company showed that it had net working capital of \$1,926,000. Profits earned on net working capital were in line with the chemical industry average—slightly under 25% after taxes, or approximately 50% profit on net working capital *before taxes*.

In other words, this company realized that every dollar it took away from its net liquid working capital to spend on equipment would cost 50 cents in *before-tax* profits on this net working capital. In effect, then, the company would have sacrificed \$17,500 in before-tax profits if it had purchased this \$35,000 worth of air conditioning equipment. And this is in the first year alone. As a result of this calculation, this chem-

ical company then proceeded to expand its leasing operations to include calculators and a wide range of office machines, so that it is now leasing equipment in a six figure amount.

The cost of cash

■ This freeing of working capital for more profitable use is the nub of the special advantage offered by leasing.

When a company acquires a piece of equipment, or several pieces totaling (say) \$10,000 or any multiple thereof, the purchase cash must come from somewhere. If it comes from the company's own depreciation reserves plus an addition from working capital, that cash costs the company something.

It is true that many companies do not regard this use of their own cash as costing them anything. This may be true if a company is sitting on surplus idle cash which it cannot employ profitably in the business. This is rare. Most companies suffer from the contrary diseases: not enough cash to stretch over all the obligations. When a company takes part of its cash (from whatever fund it may be) and freezes that in fixed assets, that cash is removed from liquid working capital. Since profits are earned on liquid working capital, multiplied by annual turnover, anytime a company cuts into its liquid cash, it cuts into its profit-making ability.

There is no mystery about this; it is elementary accounting. The net return on net working capital varies from industry to industry, and from company to company. The chart (page 46) gives the average return on net working capital for 36 manufacturing industries. Since these returns are net profits after a 52% corporate tax, the before-tax profits are at least twice as large.

What all this boils down to is this: when a company takes liquid cash out of its current funds and ties that up in fixed assets, the company pays exactly the before-tax profit as the cost of employing that

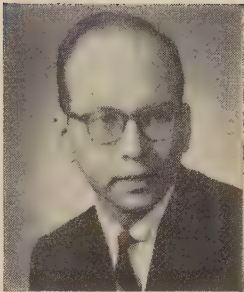
money for acquisition of equipment.

Since, in essence, leasing is just another method of borrowing (fixed) capital for comparatively long term, a company has only to figure out 1) what it costs for company cash to be frozen in equipment, as against 2) whether it is cheaper to pay the leasing company to use its capital to acquire the equipment.

This is admittedly an oversimplification, but it is nonetheless accurate. For companies which don't have spare cash to sink into equipment, use of the leasing company's cash proves a great boon.

Rapid write-off

■ Another advantage cited for leasing is the rapid write-off of



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His experience in industrial marketing led him to found Nationwide Leasing Co. in 1957. The company is considered the fastest-growing in its field.

THE MONTHLY COST OF LEASED EQUIPMENT

This is a list of typical equipment, its original price, and the monthly leasing charge, based on a five-year lease. It is important to recognize that the rates cited are average rates, which will vary slightly depending on a company's credit standing.

Manufacturer	Equipment	Original Price	Monthly Lease Charge
York Corp. (Borg-Warner)	Model 554 air conditioner	\$1,600	\$33.60
York Corp. (Borg-Warner)	DER-14 ice machine	2,600	54.60
Comptometer Corp.	Comptograph model 220M	440	9.24
Friden, Inc.	Model FTCP-8 flexowriter	3,766	79.09
National Cash Register	Register	550	11.55
A. B. Dick	Model 350 offset duplicator	3,000	63.00
Associated Testing Laboratories	LHA-8 altitude chamber	5,350	112.35
Myer-Sherman	Grainveyor	4,000	84.00
Special Equipment, Inc.	Leather drying machine	25,000	525.00
Rocket Equipment Corp.	Car washing equipment	20,000	420.00
Ampex Audio, Inc.	Model 350 tape recorder	1,200	25.20
Comptometer Corp.	D20G dictating unit	683	14.34
Addressograph-Multigraph Corp.	Model 1900, addressograph	2,972	62.41
Vilter Mfg. Co.	Compressor unit	5,890	123.69
Industrial Refrigeration Co.	Blast freeze unit	7,430	156.03
Alemite Corp.	Automotive lubrication unit	750	15.75
Hunter Co.	Auto front end alignment unit	1,512	31.75
Mid-Century Instrumatic Co.	Analog computer	50,000	1,050.00
Heath Co.	Oscilloscope	1,000	21.00

PERCENT OF NET PROFIT ON NET WORKING CAPITAL

Airplane parts and accessories	17.37%	Hardware and tools	16.35%
Automobile parts and accessories	15.18	Hosiery	6.04
Bakers	19.26	Machine shops	21.72
Bedsprings and mattresses	11.43	Machinery, industrial	16.78
Bolts, screws, nuts, and nails	17.79	Meats and provisions, packers	19.92
Breweries	10.26	Metal stampings	19.19
Chemicals (industrial)	23.78	Outerwear, knitted	8.14
Coats and suits, men's and boys'	6.98	Overalls and work clothing	5.59
Coats and suits, women's	5.78	Paints, varnishes and lacquers	12.17
Confectionery	10.13	Paper	34.76
Contractors, building and construction	16.71	Paper boxes	20.16
Contractors, electrical	13.80	Petroleum, integrated operators	42.04
Cotton cloth mills	9.53	Printers, job	22.87
Cotton goods, converters, non-factored	5.05	Shirts, underwear and pajamas, men's	4.52
Dresses, rayon, silk and acetate	6.66	Shoes	8.34
Drugs	25.69	Steel, structural fabricators (sell on short terms)	20.24
Electrical parts and supplies	18.17	Stoves, ranges, ovens	8.21
Foundries	21.78		
Furniture	14.12		

Source: 14 Important Ratios, Dun & Bradstreet, Inc., 1958

equipment costs. For example, a hydraulic press has a depreciable life of 25 years under Schedule F. If leased for a five- or seven-year period, the rental cost will be written off in that five- or seven-year period.

There is nothing underhanded about that procedure, or hazardous. If the lease is a genuine lease, unencumbered by unrealistic purchase options, the tax law and the Internal Revenue regulations permit the taxpayer to deduct in full all lease payments which are "ordinary and necessary" to the operation of the trade or business. No ruling has ever contravened that point.

Which means that a hydraulic press can be written off in the lease period instead of the 25 years required by the government. This same advantage is not available if the equipment is being purchased either for cash or on installment. This is an acquisition of an asset, and in those cases, the government depreciation schedules hold.

This fast write-off means more cash flow from day to day, which is another advantage of leasing. It is for that reason that so many major manufacturers have taken to

using leased equipment in the post-war period. And it is for the same reason that smaller companies are now beginning to follow along the same path.

A record company case

■ How all this works might be illustrated from other cases in Nationwide Leasing Co.'s files. One firm is a major record company, one of the Big Five of the recording industry. This privately held company, which is headed by able and aggressive management, has been growing with great rapidity, chalking up annual gains in sales of 20% and more.

For this company also, the primary reason for leasing was to augment tight working capital, which was being strained by expansion. This situation, however, bears particularly on one specific aspect of industry financing which illustrates a specific advantage offered only by leasing.

Short term bank credit plays a vital role among the recording companies which depend on their short term bank lines to support widespread and large accounts receivable, continual royalty payments to

artists, considerable material costs, and maintenance of a sufficiently large and flexible inventory.

This record company was opening a new plant to handle its expanded volume, but it was faced with two problems: 1) if it took cash from working capital for equipment, it would curtail its expansion and 2) if it used its normal bank lines to finance equipment purchases, it would reduce the amount of short term borrowing it could obtain for other purposes. This is because bank credit is based on net worth and will normally not exceed a given proportion of a company's net worth.

The company's start in leasing was quite modest. It leased a \$3,500 A. B. Dick offset press to print its labels. Shortly afterwards, when additional equipment was needed, the company decided to add this to the original master lease. When this phase was completed, some \$95,000 worth of presses, dies, photographic equipment, and other machines was covered by a single lease and paid for by a single monthly payment. The company's bank lines were not affected, since the lease payments for only the current 12 months are

carried on the balance sheet as liabilities. The remainder appears only as a footnote on the balance sheet.

The next, and final, step this company took was to negotiate a sale-leaseback agreement of \$160,000 worth of injection-molding presses in its new plant. As a result, this company today has the benefit of \$255,000 worth of the most modern equipment, it enjoys the increased income yielded by this equipment, it enjoys a favorable position insofar as production costs are concerned, and it has not impaired its short term bank credit—all without the outlay of a dollar of liquid working capital. In fact, as a result of its sale-leaseback agreement, it has improved its position in this respect.

Other benefits accruing to this company as a result of this lease include:

1. Expansion was made possible without dilution of ownership.
2. Equipment will be paid for out of the before-tax earnings it produces.
3. The company will deduct its full lease payments as operating expenses.

Hedge against inflation

■ Another important advantage offered to businesses by leasing is that it provides a hedge against inflation, by permitting acquisition of cost-cutting equipment immediately and paying for it in depreciated dollars (thus also avoiding future increases in the cost of equipment). This explained why one of the largest packers and canners in the world late last year leased the world's largest refrigerated fishing scow to add to its fleet.

This long term transaction (seven year lease with five one-year renewal options) included the vessel, the *Jimbo*, with a 450,000 pound capacity, and all its tackle and equipment, including its refrigeration system. Total amount of the lease was about \$165,000. Involved also were important tax considerations that were significant to this producer.

For other businesses, the controls on management imposed by banks

and institutional lenders are often not only onerous, but may result in defeating the purpose of the loan. A chicken processing company in Arkansas, for example, recently sought to finance the purchase of some \$60,000 worth of special, custom-built processing equipment. The machinery was needed to take advantage of the growing market for the company's product. The financing institution, however, sought to restrict further expansion until this new equipment was paid for. This company thereupon leased the equipment and was able to put it to

work immediately to pay for itself out of earnings.

These are some of the ways equipment leasing has helped a number of companies solve problems that are becoming more and more typical in our changing economy. As with any tool, leasing fits certain situations. Where it fits can be determined only by examination of a company's liquid working capital position, its rate of profit on net working capital, its need for equipment, and the net cost of the several methods of financing available to the company. ■

HOW LEASING WORKS

A company wishing to lease equipment contacts a leasing firm and submits an application describing itself, its financial position, and naming the equipment it wishes to obtain. The company selects the supplier it wishes and arranges whatever price it can negotiate.

If the company qualifies, the process of delivering the equipment starts the day the papers are signed. Lease payments start when the equipment has been delivered.

Length of terms

Leasing is long-term. Normally it ranges from three to 10 years, depending on the company and the size of the lease. Most leases fall between three and five years. Payments can be either equal monthly payments or tailored to any preference of the user and adjusted to any accounting system. Renewal options are available for one or more years.

Cost

The cost is the original price of the equipment, plus a small leasing charge. The entire cost is paid in the original leasing term.

Types of equipment

All types of equipment can be leased under a single master lease and covered by a single monthly lease payment.

Purchase options

Purchase options are available, but not recommended, according to Nationwide Leasing Co. The reason is that purchase options can be interpreted by the Internal Revenue Department as converting a leasing agreement into a conditional sales contract. The effect of such an interpretation is to cost the user the benefit of deducting his full leasing charges as an operating expenses.

FREE BOOKLET

A complete study on the costs of equipment leasing has been published by the Foundation for Management Research, entitled, "Lease or Buy? Comparative Costs of Equipment Acquisition." Single copies are available free to readers of Management Methods. For your free copy, circle number 273 on the Reader Service Card in the back of this issue.

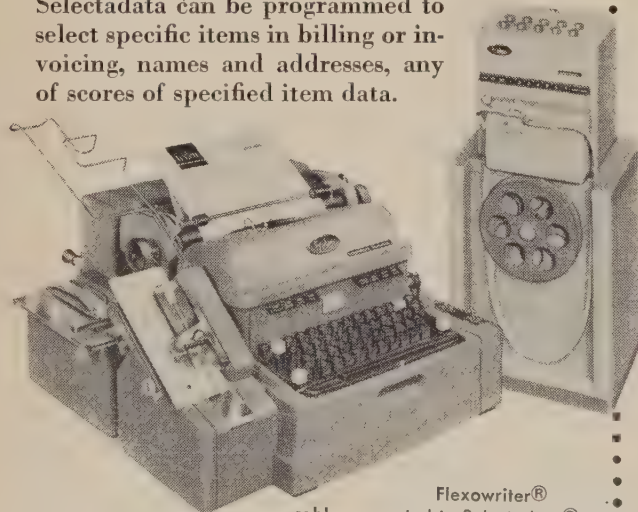


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(Circle number 126 for more information)

How to hold key men with deferred compensation

Companies can give their key executives more dollars at less cost through deferred compensation. Everyone benefits. The company gets a strong but low-cost way to attract and hold key men. The executive — even the high tax bracket executive — gets an answer to his retirement problem. Here are the facts.

By Samuel M. Lipp

How can a company hold onto key men who represent a major asset to the business?

One excellent method is deferred executive compensation.

This is a method that utilizes the tax laws to secure financial advantage for both the executive and the company. It offers the key executive a strong inducement to remain with his company for a specified period of time, usually until retirement.

The problem

■ Consider the problem from the perspective of a hypothetical executive.

Because he is a really good man, he is subjected to the temptation of enticing offers from firms trying to pirate him away. For any of a variety of reasons, his present company is unwilling or unable to match these offers.

This executive does not want to change jobs and move; he enjoys his

present position, he likes his present associates, and he has deep roots in the community where he lives. Yet he feels he cannot ignore the big salary increase another company has offered him, despite the fact that most of the increase would go to the government in taxes.

One problem that worries this executive is his retirement. He has a high standard of living. His position in the community requires an active social life and extensive entertaining. Because of taxes and living costs, he has been unable to accumulate enough savings to guarantee a retirement income commensurate with his present standard of living.

His company has established a profit sharing pension trust, but this has not solved his problem. In order to obtain Treasury approval of the plan, the company has had to avoid discrimination. Thus, the pension plan includes all rank and file employees as well as executives.

The answer

■ It is problems like these that have caused companies to turn to

deferred executive compensation. This method does not require Treasury approval. The tax benefits can be achieved even if deferred compensation is offered only to selected executives. It can be given exclusively to one employee—even if that employee is the major stockholder of the company.

There are three chief advantages that deferred executive compensation offers to a company:

First, it discourages a key executive from seeking greener pastures. The executive's right to receive his deferred compensation is conditioned upon his remaining with the company. If he leaves, he forfeits his deferred compensation.

Second, deferred compensation can be used to attract needed executives. A guaranteed retirement income at low tax rates is frequently more of an inducement to a man than immediate income that will be taxed at his highest rate.

Third, a deferred compensation contract may cost the company less than paying the executive an equivalent amount as a salary increase.

There are also three chief advantages

Note: This article is intended only for the general guidance of the company considering the use of deferred compensation. If this method of executive compensation seems suitable for your company's needs, consult a specialist in the field for more details.

tages that deferred compensation offers to the executive:

First, it eliminates or at least reduces the problem of his retirement.

Second, it offers him a means of providing future income for his dependents in the event of his early death.

Third, it gives him a greater dollar return from his job because he will probably pay a lower tax rate on his deferred income.

How it works

■ Deferred compensation calls for a contract between the company and the employee who is to receive the deferred income. Contracts vary, of course, but certain salient points are generally included.

The executive usually agrees:

■ To remain with the company until his retirement, usually at a specified time.

■ To remain available to the company for consultation after retirement.

■ To refrain from entering the employ of a competitor or undertaking a competitive business venture on his own.

The company usually agrees:

■ To employ the executive in a definite capacity until his retirement, and to continue to pay him his current salary. Salary increases are not precluded by the contract and may even be specifically provided for.

■ After the man's retirement, to pay him a definite income in specific amounts over a specified period of time.

■ To make these payments to a beneficiary named by the executive if he should die during the period he is to receive deferred compensation.

■ To pay a specified amount to a beneficiary named by the executive if he should die prior to his retirement, and thus prior to his receipt of any deferred compensation.

It is a condition precedent that the company's commitments are nullified if the executive leaves the company before the specified retirement time.

The company should show in its minutes that a deferred compensation contract has been entered into with the executive.

How to fund a plan

■ There are many ways to fund a deferred compensation agreement. The company can set up a sinking fund so that it will accumulate the cash it has agreed to pay the executive. Or the company may simply decide that it can make its payments out of current income when the need arises.

A more acceptable method, however, is to use life insurance. This method provides a self-completing sinking fund. The very fact that creates the need for cash—the death of the key executive—furnishes the cash, in the form of insurance proceeds.

When using this method, it is important to keep the life insurance completely separate from the deferred compensation contract between the company and the executive. The executive can have no interest in or rights to the policy. The company should own the policy, be the applicant, the beneficiary and the premium payer.

The cash value of the policy, if any, should be carried as an asset. If the company borrows money on the policy, the interest it pays is a tax deductible expense.

The premiums paid by the company are not a tax deductible business expense. But they are a legal business expense and the cash values represent a legal means of accumulating surplus which is not subject to the penalty tax against unreasonable surpluses.

Company tax advantages

■ The tax advantages to the company and to the executive are legion.

To a corporation in the 52% bracket, the 2½% interest on the reserves is equivalent to earning over 5% taxable income.

To the executive, the premium payments do not represent taxable income, because the company pays them. The insurance proceeds are not a part of the executive's taxable estate.

To the company, there is no income tax on insurance proceeds. Even if only one premium were paid before death occurred, there is no tax on the gain.

The payments made by the com-

pany to the executive after retirement, or to his beneficiary if he has died, are tax deductible business expenses.

Executive tax savings

If the executive's beneficiary receives the deferred income, the first \$5,000 is tax free income.

Prior to retirement, the executive himself pays no income tax on the deferred income. He pays tax after retirement only on the money he actually receives. In all probability, he will pay a lower tax because of a reduced income and greater exemptions.

Lets look again at the hypothetical executive mentioned in the beginning of this article. He is 40 years old and has a wife and two children. He is in the 60% tax bracket.

If he were to accept a \$5,000 annual salary increase from his company, he would net \$2,000 a year after taxes, or \$40,000 over 20 years.

But suppose his company agrees to pay him the increase of \$5,000 a year for 20 years. Assuming the corporation is in the 52% tax bracket, the corporate expense would be only \$2,400 annually, or \$48,000 over 20 years.

The corporation could invest the yearly cost of \$2,400 in an insurance policy on the life of the executive. For this amount, the company could probably purchase a \$44,000 20-year endowment policy, or an \$80,000 whole life policy (participating rates).

Assuming the endowment policy is purchased, the company will receive the \$44,000 endowment at the end of the 20-year period. Income tax will be paid on the gain, if any.

The company will then pay to its executive \$5,000 a year for 20 years. Since the payments are a deductible business expense, it costs the firm just \$2,400 a year of tax free income to pay out \$5,000 as a deductible business expense.

One company might leave the endowment funds on deposit with the insurance company and simply withdraw \$2,400 per year. An insurance company would require \$38,000 to pay \$2,400 a year for 20 years.

Another company might take the insurance proceeds and use them in its business, on the theory that by putting the money to use, the company itself can earn more than the insurance company's 2½% interest rate.

Most companies today prefer to fund a deferred compensation plan with a whole life policy or limited payment life plan. They pay the executive his retirement income out of current assets and then receive the full insurance proceeds upon his death, thus becoming reimbursed with tax free income.

In the case of the hypothetical executive mentioned above, whole life insurance would almost double the amount of endowment insurance for the same premium.

A key point to remember is that company owned business life insurance policies enjoy favorable tax treatment and strengthen the financial stability of the firm.

By using life insurance, a company can fund a deferred compensation plan at little or no expense.

A company can use this method to attract a needed executive.

The method can also be used as a strong incentive to hold a key executive in the company.

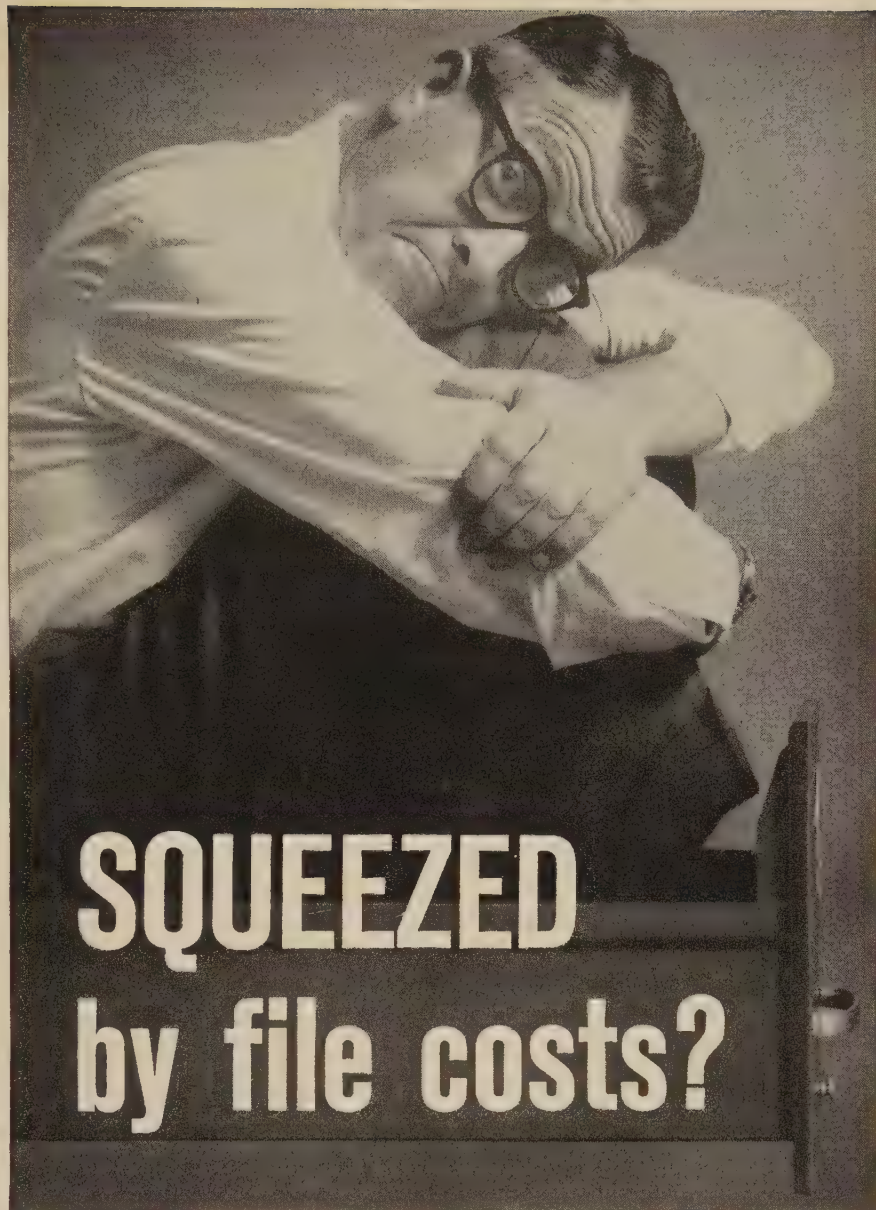
The executive foregoes highly taxed income during his working years in exchange for income probably taxed at a lower rate during his retirement years. The difference in net dollars can be substantial.

The executive's family is guaranteed an income in the event of his premature death, during the years they need it most. ■

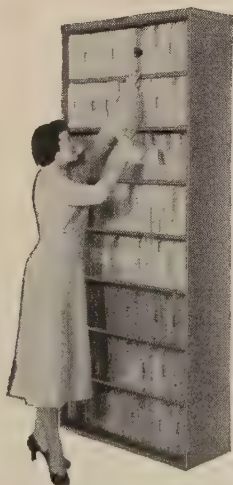


ABOUT THE AUTHOR

Attorney Samuel M. Lipp is an insurance consultant with the Metropolitan Life Insurance Co. He specializes in problems of tax and business insurance in the field of estate planning. He has been with Metropolitan since 1937, and holds the degree of Chartered Life Underwriter.



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Thought starters

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You can also add on an outside call with one or more of the telephones in the system. If a phone is busy, your call can be automatically connected as soon as the line is free.

The equipment, housed in compact wall-mounted cabinets, takes up little space.

For more information on this new Bell communications system, circle number 290 on the Reader Service Card.

Folding machine designed for large-volume mailings

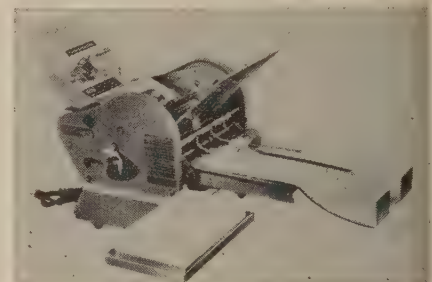
A completely automatic heavy-duty folding machine produced especially for letterpress shops, small printing houses, banks and other commercial institutions has been announced by Print-O-Matic Co., Inc.

The low-cost Fold-O-Matic can act as an auxiliary to larger, more costly models. It delivers up to 120 folded sheets or sets per minute in any of eight popular folds.

The adjustable feed wheels keep the folded sheets perfectly aligned

and moving continuously into the self-stacking tray.

The electronically-operated Fold-O-Matic handles sheets from four by four inches to nine by 14 inches, singly or in stapled sets up to six



Downward curved receiving tray holds large stack, requires few pick-ups.

sheets. Only 32 by 14 inches when fully set up, it requires little space. It can be stored in a space only 18 by 14 inches.

For catalog sheets and additional details, circle number 276 on the Reader Service Card.

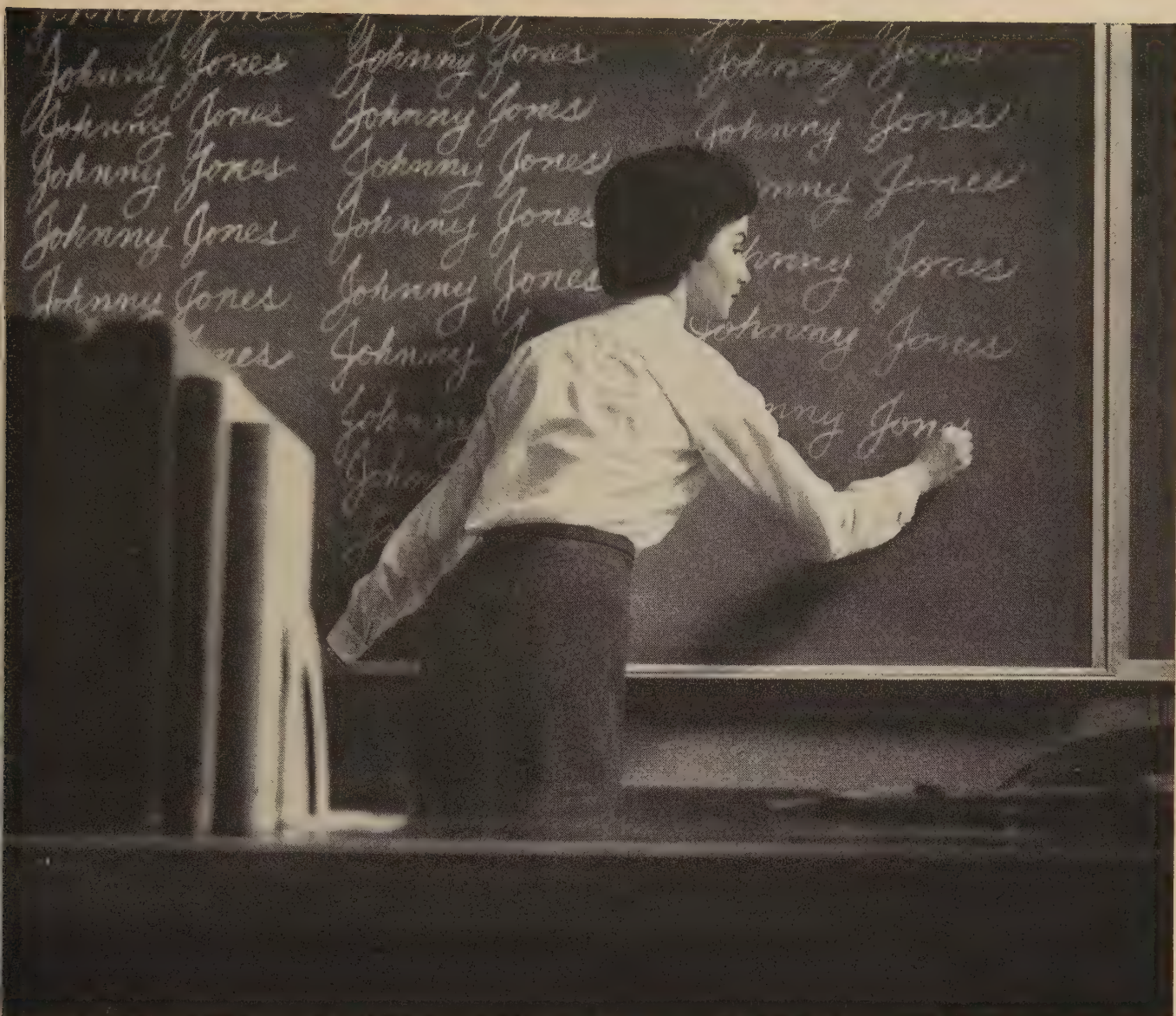
SAFETY

Give plant visitors inexpensive safety specs

Providing safety glasses for visitors in industrial plants often presents a problem. The glasses must be sterilized after each use, then stored in envelopes until used again. Also, many visitors are careless and forget to return them—boosting replacement costs.

Bausch & Lomb Optical Co., Rochester, N. Y., has an easy solution for this problem. They've developed inexpensive "guest specs"

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ing" clerical tasks—to generally reduce costs and speed paperwork in such activities as registration and identification of students, keeping attendance records, making out payrolls and maintaining communications.

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made of plastic. They can be imprinted with the name of the company and offered as souvenirs to visitors.

Besides being nominal in price, these glasses are lightweight, impact resistant and fit comfortably over regular spectacles.

If you wish more information on these plastic safety glasses, circle number 265 on the Reader Service Card

SYSTEMS

Free analysis of checks offered by Todd

Many firms use checks that are poorly designed both from an efficiency and appearance viewpoint. The Todd Co., division of Burroughs Corp., is doing something about this wide need for re-design of checks.

Todd now offers a free check analysis service. Companies are invited to submit sample checks, properly cancelled or marked "specimen."

Each check is rated on a 13-point check list. This evaluation includes adaptability to electronic processing, arrangement for accurate bank handling, safeguards against alteration or forgery, advertising and public relations value, color, typography, general efficiency and appearance.

For this free check evaluation service, write to Check Analysis Department, The Todd Co., 1150 University Ave., Rochester 3, N. Y.

MONEY SAVER

Stencil system cuts freight addressing errors

By stencilling addresses and routing information directly on pre-printed shipping cartons, Johnson & Johnson's Eastern Surgical Dressings Plant saves both time and money.

The Multistamp Hand Stamp Stencil Duplicator prints addresses in the appropriate place on the carton, replacing the old, time-eating system of pasting labels to shipping cartons.

Johnson & Johnson found the old system expensive because of the time and labor involved in processing the labels, and having to rectify errors that occurred when labels came off, were disfigured or torn.

When a customer's order comes in, it is written up and a stencil is cut at the same time. The stencil travels with the order to the shipping center.

Using the Multistamp Dupli- cator, J & J estimates about one second to address each carton. The system now handles up to 18,000 packages daily.

For additional information on this stencil system, circle number 274 on the Reader Service Card.

SERVICES

New marketing research guide available to business

The American Marketing Association has just published a new list of marketing research agencies, services and consultants. Arranged geographically by states, cities and countries, it includes only those firms and branch offices which have company or individual membership affiliation with the AMA.

The list is designed as a quick reference for those interested in learning of the availability and nature of marketing research services in any given area. A code symbol system gives a general explanation of each organization's research classification and scope of activity.

Copies are \$1 each, and may be purchased from the American Marketing Association, 27 East Monroe St., Chicago 3, Ill.

TOOLS

Pocket-size calculator solves math problems

A circular pocket calculator only 3½ inches in diameter offers new methods of making instant mathematical calculations with a minimum of error.

Manufactured by the Cal-Math Co., the device consists of two flat metal disks, one green, the other gold, plus a sliding indicator. Easy reading is insured through a new metal imprinting process, extra large gradations and increased spacing between scales.

Cal-Math is accurate to thousandths. It multiplies, divides, solves problems using Pi, among many other calculations.

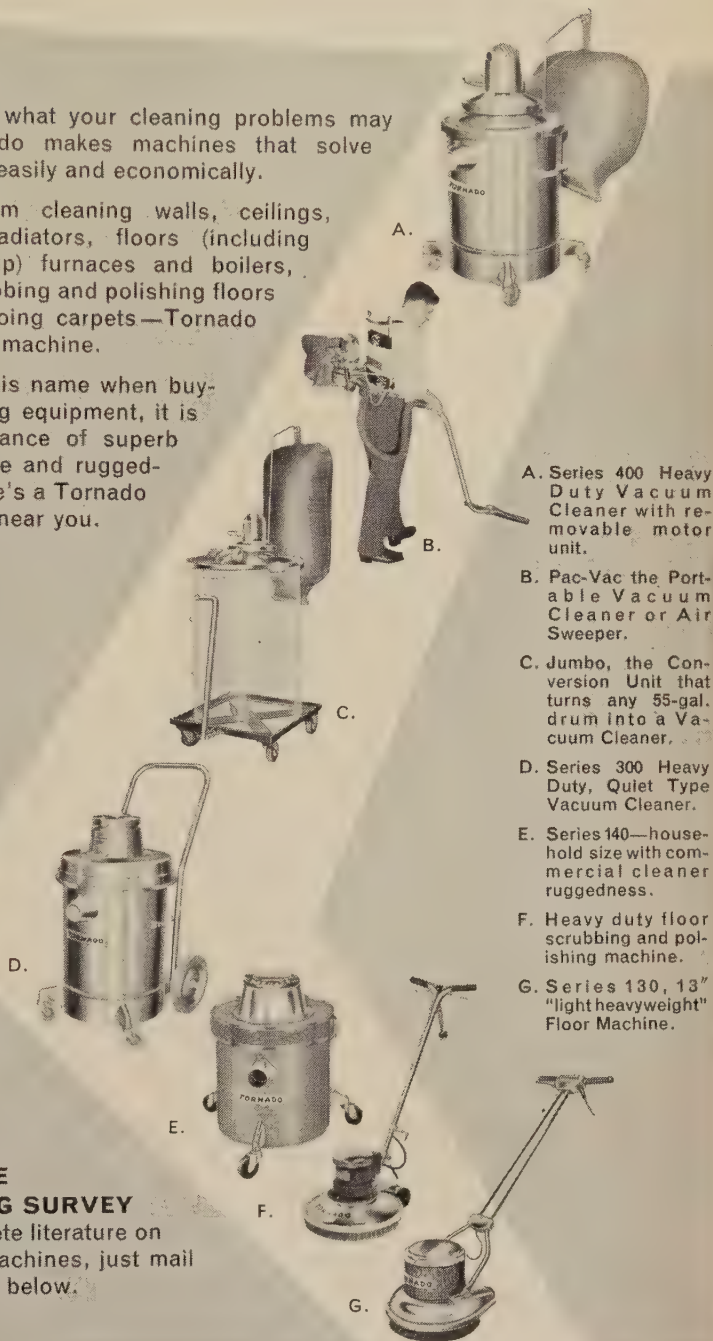
(Continued on page 57)

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(Circle number 107 for more information)

It is unaffected by atmospheric corrosion, and is abrasion resistant.

It retails at \$4.95, and can be obtained directly from The Cal-Math Co., P.O. Box 5536, Philadelphia 43, Pa.

OFFICE SPACE SAVER

Top executive puts his office in an elevator

Short on space? Have you considered every possibility of putting square footage to more productive use?

Here's an extraordinary example of salvaging little-used space. It might spark more conventional conversions. An oversize freight elevator in a five-story plant has been transformed into an executive's private office!

This unique "up and down" office is in use at a large textile mill in South Carolina. The movable room boasts all the usual executive appointments—wall-to-wall carpeting, panelled walls, telephone and electric heating made possible by long under-floor leads.

But unlike most executives, this manager can press a button to raise or lower his office to the floor level of the supervisor he wants to see.

TIME SAVER

New chart typewriter makes charting easy

A completely new development in typewriters is the Chart-Typer, a machine that saves hours of pen and ink drudgery. With it, any typist can type the most complex chart material.

The keyboard has a normal upper case alphabet and figures. Instead of lower case letters, the machine has 27 different chart symbols. The charting symbols are in shift position and the letters are in the normal position. No shifting is required when either "chart typing" or "regular typing."

A simple-to-adjust attachment permits the typing of charts on any kind of chart paper, accurately scaled and aligned at all times.

The machine can type for offset printing production when a simple carbon ribbon attachment is added.

For more details on the Chart-Typer, circle number 277 on the Reader Service Card.

HOW MUCH

OF A BARGAIN

MUST A

PHILLIPSBURG

INSERTER BE

BEFORE YOU'LL

BUY ONE?



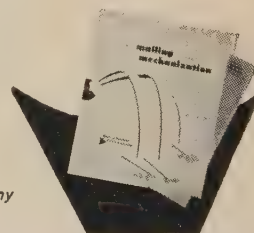
The women — bless 'em — love a bargain. But somehow we men folks don't trust a bargain. A bargain doesn't always have to be picked up from the Mark-Down counter. Executives who recently have been pokin' around the mail room know a bargain when they see the Phillipsburg Inserter. Rising postage costs and dislocated help . . . overtime and supervisory time . . . overhead and understaffing . . . all create a pressing need for self-servicing the mail — mechanically! The Phillipsburg Inserter is a bargain any way you look at it . . . for big or little mailers. It pays for itself many times over by automating the gathering and stuffing of mail matter. *Where's that trading instinct Mr. Bargain Hunter? Have fun with that coupon.*

FINER PRODUCTS THROUGH IMAGINATION

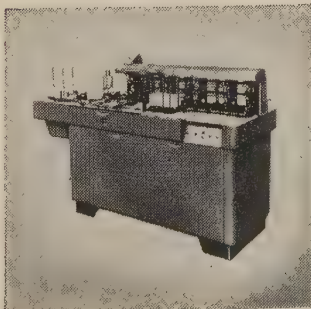


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PHILLIPSBURG, NEW JERSEY
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Bell & Howell Phillipsburg Co., 14 E. Jackson Blvd., Chicago 4, Ill.

Send brochure, "Modern Mailing through Mechanization"

Have representative call to arrange demonstration

Send Case History Study on _____

(type of business)

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FIRM _____

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CITY _____ ZONE _____ STATE _____

MM 4-9

(Circle number 105 for more information)



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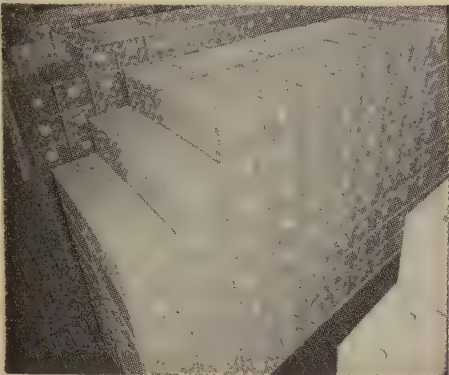
Good photocopies—black on white, accurate, permanent . . . of anything printed, duplicated, typed, written, drawn or photographed . . . from opaque, two-sided or transparent paper, white or colored, heavy cardboard or pages bound in books or magazines . . . Time: less than a minute . . . Cost: pennies.

The A. B. Dick photocopier handles all copying requirements, not just part of them. Easy to use, too . . . no messy developing trays. Call your A. B. Dick Company distributor, listed in the yellow pages, for information or a free demonstration. Or mail coupon at right.

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**Q. GOT HIGH-PRICED HELP?
LOOKING FOR RECORDS?**
**A. LOW-COST "CONVOY"
STORAGE FILES!**



All your semi-active or inactive records are instantly available. What a time and money-saver today!

Rigidized permanent Drawer and Shell construction eliminates shelving and costly searching (the biggest item).

All this at half the cost of steel because "CONVOYS" are heavy duty corrugated board processed to remarkable strength.

Sizes: letter, legal, check, deposit slip, tab card . . . 10 others.

There's a dealer near you — or write

CONVOY, Inc.

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(Circle number 117 for more information)



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*Please send full
information about
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5700 West Touhy Avenue
Chicago 48, Illinois

Name _____

Position _____

Company _____

Address _____

City _____

Zone _____ State _____

(Circle number 123 for more information)

How to use a curved partition

Title Insurance & Trust Co., Los Angeles, faced this problem: Its public relations department needed maximum work space to accommodate many desks. Yet its on-view-from-lobby location called for an attractive reception area.

How could the company achieve a separate, uncluttered reception room without sacrificing much needed working space? The answer

was found in a reverse S wood partition.

This curved panelling, designed by Desmond Brothers, creates a distinctive reception area in minimum space. At the same time it gracefully hides the actual work area from the view of visitors.

At the end of the S, ivy patterned translucent Plexolite partitions give a light and airy feeling to the hall while retaining privacy for offices. ■



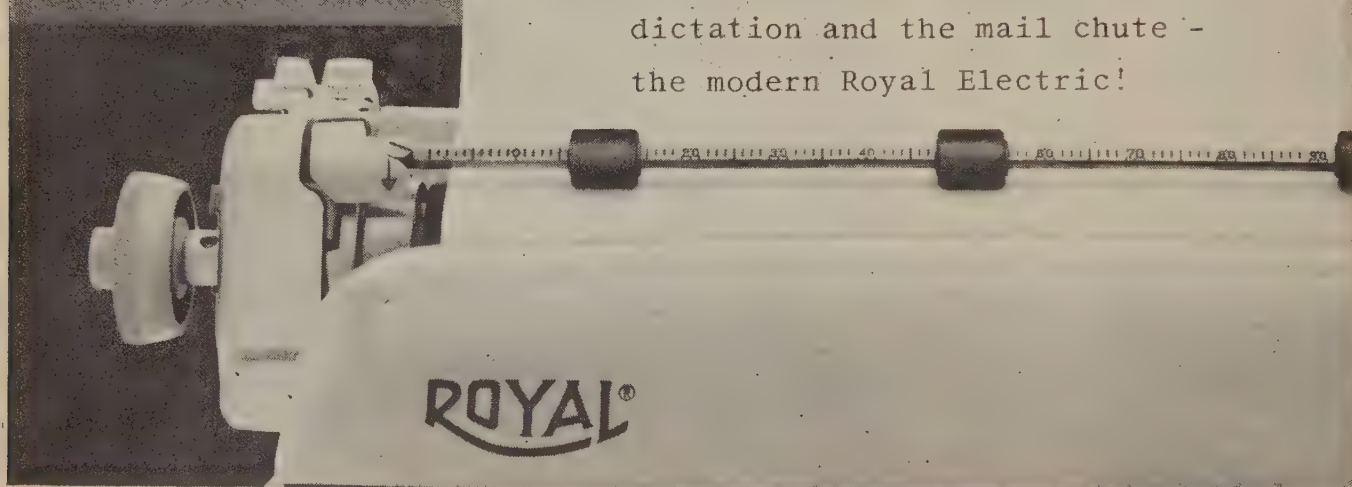
Flowing curved Sammara panelling separates reception area from working space beyond. Natural grain and warmth of wood is highlighted by semi-gloss Deft finish.



Straight panelling takes off from end of the S, creating a neat hallway to offices. Generous use of translucent panels adds to apparent width of passage.



* Shortest distance between
dictation and the mail chute -
the modern Royal Electric!



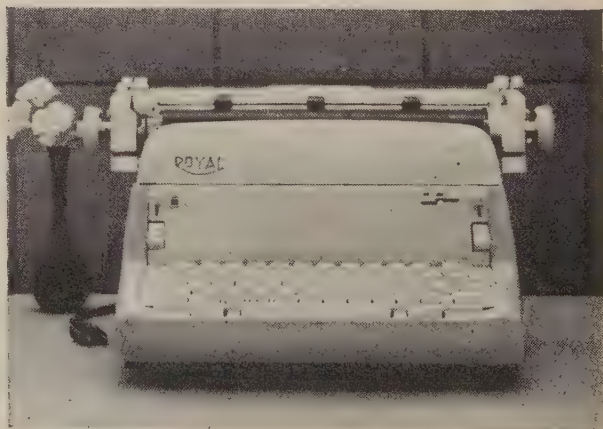
NEW GUARANTEE! Famous Royal *reliability* is now backed by a unique *one-year guarantee*. Fewer interruptions... faster, easier work... and lots more of it every day!

MATCHLESS REPRODUCTION! No faint, heavy or jagged characters. You get *perfection* in print every time.

EASIER OPERATION! Exclusive Magic® Margin and Twin Pak®—the instant-changing ribbon fingers never touch—spare muss and fuss, save time and cut fatigue.

FREE TRIAL, BETTER TRADE-IN! Call your Royal Representative for a free demonstration today. You'll find him listed in the Yellow Pages of your phone book. Your old typewriters are worth more than you think in trade.

*CANTERBURY PICA, one of 74 Royal type styles.
Pick the one that reflects the character of *your* business.



Now guaranteed for a full year, there are already more Royal Typewriters in office use than any other make.

the business-minded **ROYAL**® *electric*

Product of Royal McBee Corporation, World's Largest Manufacturer of Typewriters.
(Circle number 146 for more information)

Stop wasting your time

(Continued from page 38)

should have to dictate the reply himself, he has a reminder in front of him and wastes no time trying to remember what he wanted to say.

Many executives are too wordy. Be concise and specific. If "go ahead" is all you want to say, why take three paragraphs to say it?

Dictating equipment saves time. You can record your thoughts while they are fresh, rather than having to wait until your secretary is free from other chores. You don't have to slow down to her shorthand speed or stop for corrections. And, if you have a portable recorder, you can dictate any time of day or night.

Systematize routine correspondence by making prefabricated letters, paragraphs or phrases. Well conceived, these can sound more natural, correct and courteous than freshly dictated material. The letter can be freshly typed for each answer, but having the meat of it already written saves both you and your secretary time.

Don't let the impressiveness of a letter keep you away from your phone. Although the theory that a letter is superior to a phone call is hard to kill, writing the message might take twice the time it does to tell it.

Interruptions are unavoidable, but you can make them work for instead of against you.

Systematize as many reports and contacts as possible. If you're not

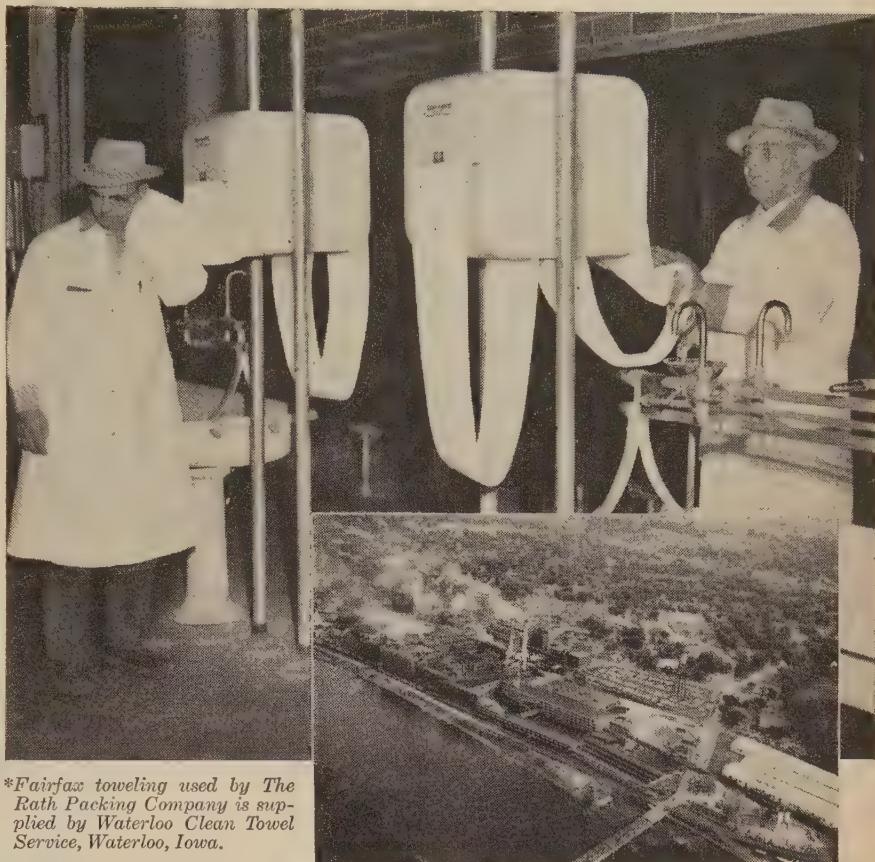


Wide World Photo

"Most of us can do three or four times as much as we ordinarily do without lengthening working hours or driving ourselves to exhaustion by the day's end."

DR. FREDERICK W. TAYLOR

The Rath Packing Co. trims waste, cleans up with COTTON*



*Fairfax toweling used by The Rath Packing Company is supplied by Waterloo Clean Towel Service, Waterloo, Iowa.

● One of the largest and busiest meat packers located right in the farming areas of the U. S. is The Rath Packing Company. Growing with the industry for 67 years, the packers of "Black Hawk" meats operate a modern efficient plant in Waterloo, Iowa, and depend on cotton toweling for essential cleanliness and economy.

Pointing to a substantial dollar saving in six years of cotton towel service, Rath management also emphasizes the elimination of litter in passageways and wash rooms. Rath's experience parallels that of other forward-looking businesses: *cotton does the job.*

Why not look into the advantages of cotton toweling or towels for *your* plant, building or institution. For further facts, write for free booklet to Fairfax, Dept. R-4, 111 West 40th St., New York 18, N. Y.

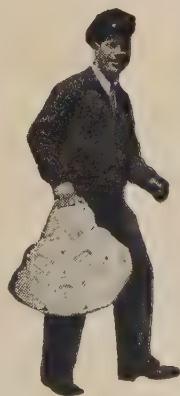
Here's How Linen Supply Works...

You buy nothing! Your linen supply dealer furnishes everything at low service cost—cabinets, pickup and delivery, automatic supply of freshly laundered towels and uniforms. Quantities can be increased or decreased on short notice. Just look up LINEN SUPPLY or TOWEL SUPPLY in your classified telephone book.

Clean Cotton Towels...

Sure Sign of Good Management

Fairfax Towels



WELLINGTON SEARS COMPANY, 111 WEST 40TH ST., NEW YORK 18, N. Y.

(Circle number 161 for more information)

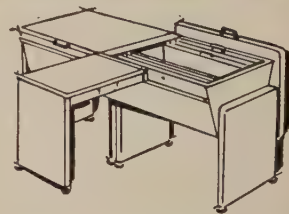
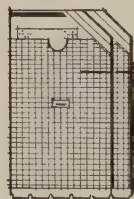
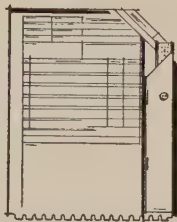
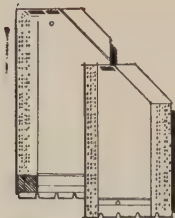
Are Your Filing Methods As Fast as Your Machines?

ACME VISIBLE

VERI-VISIBLE speeds the availability of source material for **AUTOMATION**

Filing edge-punched cards in Acme Veri-Visible units enabled a major manufacturer to realize a 20% savings in their customer order processing and billing routines. The immediate visibility of the cards in Veri-Visible cabinets, readily accessible and comfortably convenient, effects definite reduction in operator's fatigue.

Electronic machines produce punched cards and tapes at astounding speed. Once punched many become permanent records to be used over and over again. Acme Visible Records and equipment provide for filing and fast finding, with SEEABLE indexing speed handling of this material to keep pace with machines.



PORTABLE TRAY PUNCH CARDS TAPE CARRIER PUNCH CARD CARRIER EXPANDER CABINETS

ACME VISIBLE RECORDS, INC., Crozet, Virginia

We are interested in filing

C-459

☐ Tapes (approx. length) _____

☐ Edge-punched cards _____

☐ I.B.M. Cards _____

(Approx. number
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Company _____

Attention _____

Address _____

City _____ Zone _____ State _____

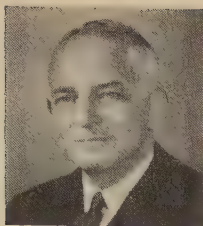
Acme makes the most complete line of visible record equipment in the world. Let us show you how to save time, labor and money with an Acme Visible Record System designed to meet your specific requirements.

ACME VISIBLE RECORDS, INC.

Crozet, Virginia

District Offices and Representatives in Principal Cities

(Circle number 100 for more information)



"Budget your time as carefully as you budget money and you'll reduce waste and frustration, develop better balance of major and minor activities, and increase your capacity for important work."

GENERAL GEORGES F. DORIOT

always bothering others on minor matters, they will take the hint and won't interrupt you as much.

Tell your secretary what times you definitely want to be alone. She can head off interruptions before they reach you.

Discuss and coordinate your time schedule with those with whom you work. Let them know what time you've allotted for your own work, what time for conference.

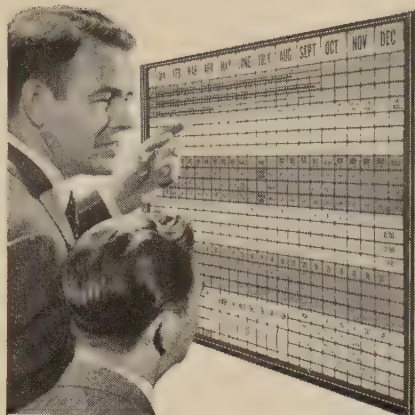
Make your appointment times as brief as possible. When a visitor comes in, tell him politely how much time you have to talk to him. He'll come to the point faster, and respect you for getting things done quickly.

Telephone, letters, interruptions: cut the communications corner and your overtime hours drop.

■ The executive who knows exactly what the range of his duties is; who plans and schedules his jobs in the most efficient manner possible; who delegates responsibilities that others can do as well as he; who can streamline his office activity—is the executive who can call his time his own.

Of truly efficient executives, AMA president Lawrence Appley says, "They aren't whirling dervishes of activity. Nor are they supercharged, constantly working at top speed. On the contrary, energies are frequently well channeled and their demeanor often one of poise and quiet assurance. In simple terms, they are inspired—but inspiration is accomplished by planning and organization." ■

How To Get Things Done Better And Faster



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- ☆ Gives Graphic Picture—Saves Time, Saves Money, Prevents Errors
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- ☆ Made of Metal. Compact and Attractive. Over 350,000 in Use

Full price \$49⁵⁰ with cards

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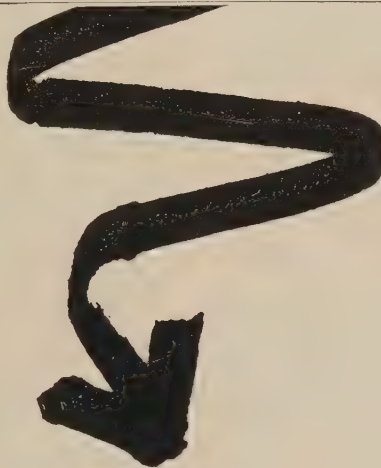
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(Circle number 129 for more information)

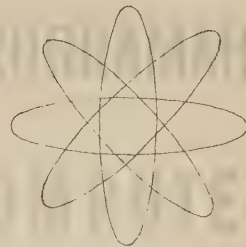


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WITH A CHECKUP
(See your doctor)
AND A CHECK
(Send it now)
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**AMERICAN
CANCER
SOCIETY**



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NATIONAL VAN LINES—for dependable delivery anywhere in the country! For dependability in the office... it's Bentson! Here Bentson provides pleasing beauty combined with sturdy construction and design so every job can be done faster, better and with greater comfort! Any office planning is made easy from a wide selection of colors, styles, models and functions. Plan with Bentson... your dealer will gladly help. Send for our complete line catalog.

Get a colorful
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Bentson Dealer
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BENTSON MFG. CO.

657 HIGHLAND AVENUE
AURORA, ILLINOIS

(Circle number 106 for more information)

COMPANY-WIDE CONTROL

How Owens- Corning speeds up inter-plant communications

With its new high speed communications system, Owens-Corning Fiberglas Corp. has linked its nationwide facilities together to improve service to customers. Improved service alone covers the cost of the system.

For the company whose operations are in different parts of the country, a teletype system can cut communication delays and improve customer service.

Owens-Corning Fiberglas Corp. has linked eight plants, 36 sales offices and 10 communications centers with its new, high speed, 12,850-mile system.

The company reports these advantages:

- Product deliveries are speeded.
- The job of keeping stocks at a minimum is made easier.
- Customer inquiries get more prompt answers.
- Management control has been strengthened.
- The possibility of human error has been greatly reduced.

How the system works

The system has three key elements:

The teletypewriter—which sends and receives messages.

The message tape—on which the different information is coded and sent.

The switching center—where complete control and supervision of the nationwide system is maintained.

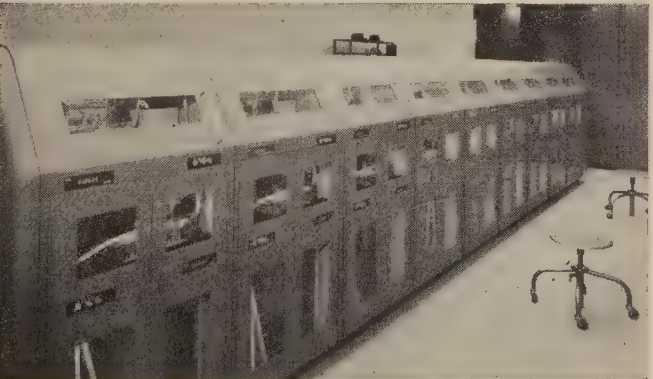
To send a message, the teletypewriter operator types



The teletype supervisor for Owens-Corning Fiberglas Corp. operates the originating machine of the company's new high speed communications system. Similar teletypewriters send messages from eight plants, 36 branch offices and 10 communications centers to the switching center where they are automatically redirected to their proper destination.



This is the control board of the switching center of the new communications system installed in downtown Toledo, Ohio. The control board indicates the message activity of the system designed to improve service to customers and to expedite internal communications.



These are some of the re-perforator transmitters for receiving and sending in the switching center in Toledo. These machines redirect messages to Owens-Corning plants warehouses, and distributors throughout the country.

AVERY

self-adhesive

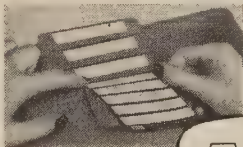
file-folder labels

save secretary's time--
save boss's money!



Office studies prove AVERY self-adhesive File-Folder LABELS can definitely save you time and save your boss money.

Little wonder — they give quick, positive identification to all file folders... and they're a breeze to apply! Best of all they need no moistening — no messy mucilage to lick. Just stick 'em on... and they stay on... neatly, firmly.



Available in a bouquet of ten fresh colors, plus white — for bright, efficient color coding... in sheets of 8 labels each with guide lines for uniform typing... and the last label won't slip in the typewriter because of the extended backing sheet!

WRITE TODAY for your FREE samples of AVERY file folder LABELS...

see 'em, try 'em, buy 'em at your stationery dealer!

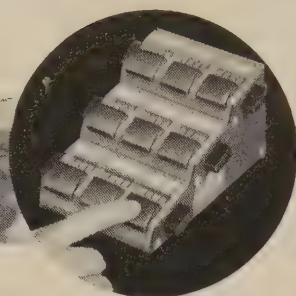
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117 Liberty St., New York 6 • 608 S. Dearborn St., Chicago 5 • 1616 S. California Ave., Monrovia, California • Offices in Other Principal Cities.
Please send me samples of Avery file folder Labels.

My Name _____ Position _____
Company _____
Address _____
City _____ State _____

(Circle number 103 for more information)



How to tell a "Better Mouse Trap" from a "Profit Trap"



Count BOTH and 1,001
Other Items with

VARY-TALLY

Multiple-Unit Reset Counter

To know WHICH products, styles, sizes or flavors are "hot" and WHICH are dragging their feet — COUNT! Whether you are a manufacturer or merchant, distributor or dealer — Vary-Tallies can tell you quickly How Many of What, Where and When — Now as against Last Year,

Compactly set up on stands in tiers, the Vary-Tally can be supplied in any of 66 combinations, up to 6 banks high and 12 units wide with a minimum of 2 units wide. Also single units.

Last Month or Yesterday. Traffic engineers, estimators, laboratories, warehouses, offices, restaurants, mail and phone order departments, payroll people and many others find keeping score is no chore with a Vary-Tally. What do you want to count? Write for news sheet and prices.

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100 PRACTICAL SOLUTIONS To Management Problems

Find them in—

THE DECISION-MAKERS

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Editor of Management Methods Magazine

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Follow these top flight executives as they show you by their own example how to create tomorrow's sales now . . . predict and reach distant growth goals . . . build a management staff . . . handle public and private finance . . . win cooperation from your union . . . get a new plant with no capital outlay . . . work harder without ulcers . . . and scores of other real problems with solid, imaginative solutions.

This big 8½" x 11" book is fully illustrated and beautifully bound. The cost is only \$10 per copy, with quantity discounts. The book is available on a 10-day free trial basis. It makes an appropriate gift for business associates or college library.

Bureau of Business Practice,
513 Garfield Ave., New London, Conn.

Sirs: Please send me a copy of The Decision-Makers, at \$10, on a 10-day free trial basis.

Name _____

Company _____

Address _____

City _____ Zone _____ State _____

☐ Bill me ☐ Bill my company ☐ Check enclosed

on a keyboard similar to a typewriter's. Instead of typing characters, the teletypewriter punches holes in a specially treated strip of paper, called the message tape. The holes represent letters and numbers. When the tape is fed into the sending equipment, the holes actually transmit the message.

The operator punches a two-letter code at the beginning of each tape. This indicates the destination of the message to the sending equipment. When the completed message is punched, the operator places the prepared tape in the automatic transmitter, and the message is sent on its way.

All messages go immediately and directly to the switching center, which for Owens-Corning is located in downtown, Toledo, Ohio. It is the heart of the communications system. There, the messages are processed, automatically checked for error, and re-routed to their destinations. There is no waiting for other messages to be cleared and there is no further manual handling needed.

How errors are prevented

Several safeguards have been engineered into the equipment at the switching center to prevent the loss or misdirection of messages. If something goes wrong—an incorrectly punched destination code, for example—the tape goes onto a special machine. Simultaneously, an alarm sounds to alert an operator that a tape needs attention. The operator then redirects the message to its proper destination.

A further advantage of the teletypewriter communications system is that the perforated message tapes carry coded information for automatic data card punching without the normal risk of manual error.

A control board at the center provides up-to-the-minute information regarding the status of all lines and stations on the system. It also allows full, direct control of the entire operation from one spot.

Previously, Owens-Corning messages had to be relayed by hand through a network of circuits. Now, they are routed from the point of origin, through the switching center, and on to the destination without delay or confusion.

Information can be dispatched simultaneously on as many as 10 two-way circuits.

Built-in flexibility

The equipment and private line network of the system are designed to handle a certain number of anticipated messages at the present time. But all parts of the operation have been engineered to permit substantial growth of both the number of locations and private lines without major changes.

Owens-Corning reports that its fully automatic communications system is more economical, more efficient, and more effective than older, manual systems. In a matter of minutes, the new system can distribute information needed to service the requirements of scattered plants, warehouses, and customers.

Because the system was recently installed, Owens-Corning officials say it is hard to estimate significant savings. But they say the improved service to customers and the speed of internal communications alone almost pays for the system. ■

Thanks to XEROGRAPHY...



LAWRENCE M. READ, secretary-treasurer of National Credit Office, Inc., in NCO file room containing thousands of financial reports for client consumption.

National Credit Office, Inc., Gets Higher Quality at Lower Cost, Reproducing...

National Credit Office, Inc., 2 Park Avenue, New York City, the largest specialized mercantile agency in the country, distributes detailed financial statements and reports to its clients on a year-round basis. Additionally, it makes available to them fully documented market surveys, some running more than 100 pages, on specific industries such as electronics, textiles, automotive, etc.

A third service is the annual updating and reproduction of a 367-page annual used in a correspondence course on credit and financial analysis. Before NCO installed XeroX® Model 1218 copying equipment, time limitations made it necessary to condense to retyping much of the interesting detail in the original reports. Now at NCO, the Model 1218

equipment copies two original pages at a time onto an 11"x17" offset paper master. Each master is cut in two, and multiple copies are then run off on an offset duplicator. Runoff prints are of high quality—sharp black on white.

Model 1218 copying equipment operates on the electrostatic principles of xerography and is dry, clean, and fast. It is able to enlarge, reduce, or copy size to size.

Credit managers find all details, even signatures, exactly as originally submitted to NCO. NCO says the quality of reproduction, a prime selling point for its service, is excellent.

Xerography's speed and accuracy enable NCO to handle peak loads efficiently, especially during the first quarter when most financial statements are received. Girls operating the Model

(Circle number 130 for more information)

- SPECIAL CREDIT REPORTS
- MARKET RESEARCH DATA
- CORRESPONDENCE COURSES IN CREDIT AND ANALYSIS

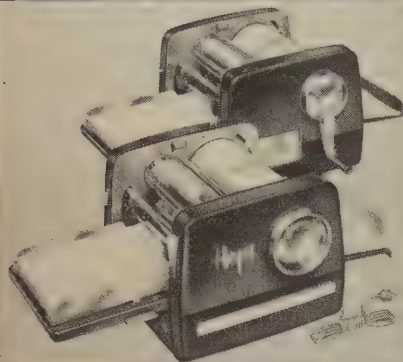
1218 equipment prepare more than 50,000 masters a year, effecting a saving of 50% in reproduction costs compared with their previous photographic method.

Xerography, the world's most versatile copying process, can help *you*, too. Write for proof-of-performance folders showing how xerography is saving time and thousands of dollars for companies of all kinds and sizes. HALOID XEROX INC., 59-189X Haloid Street, Rochester 3, N. Y. • Branch offices in principal U.S. and Canadian cities.

Overseas: Rank-Xerox Ltd., London.

HALOID XEROX®

**330 copies
in 3 minutes!**



Heyer

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PRINT QUALITY COPIES FAST!

Don't confuse them with photocopy machines. Conqueror Duplicators print 330 clear, sharp copies in just 3 minutes . . . in 1 to 5 colors *at once* . . . of anything typed, drawn or written on a spirit master—at a *fraction of a cent* per copy! And the new Mark III models are more efficient than ever with these outstanding advances:

1. **NEW FEED TABLE**—paper separator fingers eliminate side rubbers and adjustments.
2. **IMPROVED COUNTER**—direct gear drive; greater accuracy, top visibility conquer waste.
3. **ADJUSTABLE FEED WHEELS**—grip paper at outer edges, give positive performance.
4. **FEED TENSION CONTROL**—assures non-skip feeding—thin papers to post cards.

Conqueror Duplicators also include such Heyer "firsts" as Copy Positioner Control which raises or lowers copy quickly and effortlessly . . . Visible Fluid Supply which conquers the problem of running dry . . . simple, positive Fluid and Pressure Controls . . . and the Automatic Start-Stop (on electric models) which shuts off the machine when the last sheet is printed. These and many more exciting features give you an outstanding combination found only in Conquerors, at *no increase in prices!*

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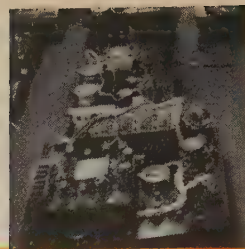
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**Business
electronics**



**Transactor sends data
from remote locations**

A new system developed by Stromberg Time Corp. makes it possible to collect information at a number of remote sources and feed it instantly to a data processing center.

Called the Transactor System,



Transactor sends facts to data center up to three miles away.

the new device keeps pace with the modern data processing systems, and eliminates the unavoidably high degree of human error in the pre-input stage. Designed to be completely compatible with other business and data processing equipment now widely used in industry, the Transactor eliminates the need for paperwork and clerical operations between the source of a transaction and the processing center.

Typical of the operations in which the Transactor System is capable of saving time and money are job order recording,

production and inventory control, job costing, receipt and shipment and on-line communication. The equipment is available on a rental basis.

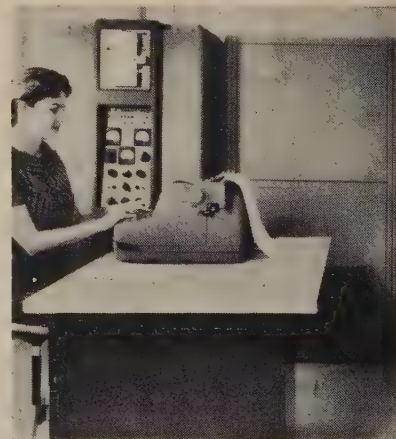
For further details on the new Transactor System, circle number 280 on the Reader Service Card.



**New computer accessory
priced for small business**

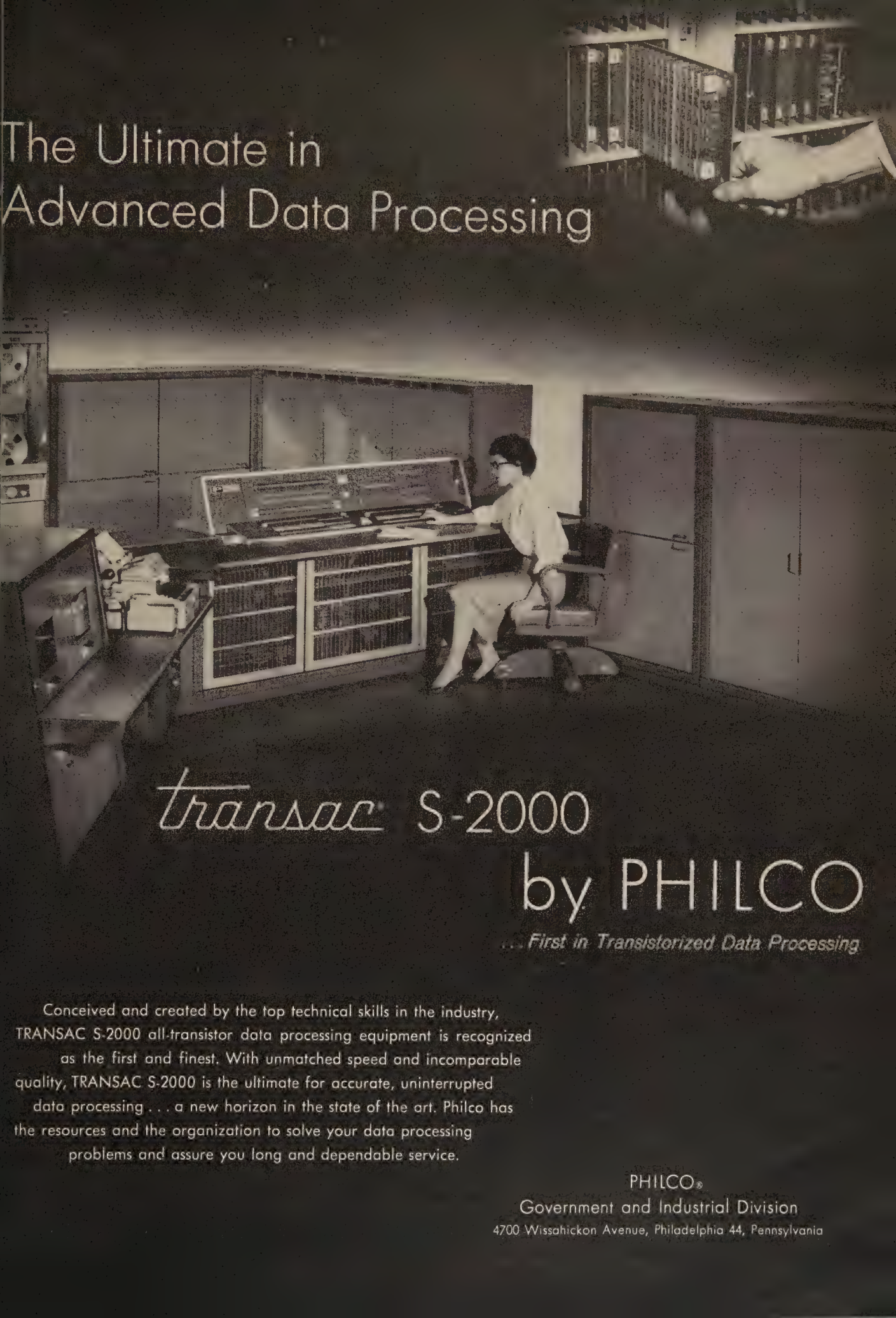
A new accessory to its G-15 digital computer gives Bendix Aviation Corp. a system with punched card data processing capabilities formerly offered only by far more expensive machines.

The new equipment, developed by the Computer Division and designated as the "CA-2," offers small business a compact, low-priced punched card computing system with the same performance and versatility as many medium-priced computing systems.



"CA-2" and "G-15" need only half of area required by other systems.

tems. The complete system, consisting of a G-15 computer, the



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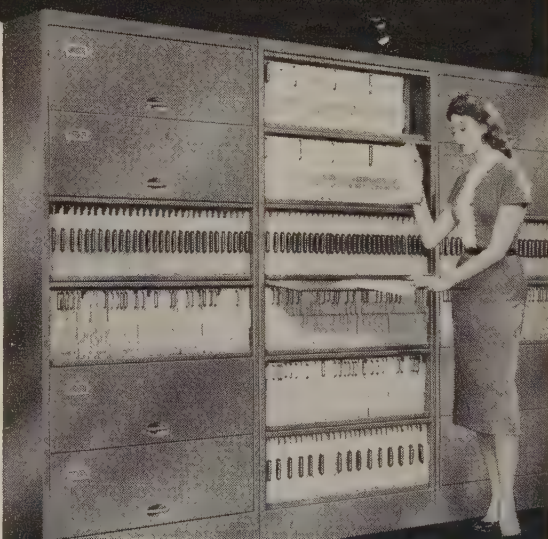
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(Circle number 154 for more information)

CA-2, conventional card readers and punches, and a tabulator leases for about \$2,500 per month.

Power requirements are about one-third less and the installation area is about one-half that of other systems. The four-part system can be installed in the average office without any special construction.

For more details on this new computing accessory, circle number 292 on The Reader Service Card.



New tab card reader operates automatically

A new tab card reader, capable of handling 80-column tabulating cards, has been introduced by Friden, Inc. The Flexowriter, which can also read normal decimal tab card codes, can be interchanged with IDP Systems



Tab card reader on Flexowriter produces documents automatically.

Flexowriter tape or edge-card readers to produce business documents automatically at 100 words per minute. When the new machine is used in conjunction with Friden's Synchro-Duplex Reader, it is possible to read tab cards on Flexowriters with complete programming coming from the Synchro-Duplex.

For further details on this new Tab Card Reader, circle number 279 on the Reader Service Card.



Logic is built into this Westinghouse control

Here's an electronic control system with a built-in curiosity. This characteristic is responsible for its reaching logical conclusions needed for controlling com-

plicated industrial processes through experimentation. It is designed to replace conventional systems which perform only pre-set, routine control functions.

Opcom—as this almost-human control is called—performs its “thinking” like this: When some uncontrolled input variable upsets a manufacturing process and lowers its yield, the machine, developed by Westinghouse Electric Corp., experiments automatically with the control settings.

Reviewing each remembered action, it decides whether it was a success or a failure. Based on that decision, it initiates the next step, and the step after that, until it finds the optimum operating condition.

One of these optimizing control machines is now at work testing each capacitor produced at Westinghouse’s Bloomington, Ind. plant. Another is controlling processes at Dow Chemical’s dehydrogenation pilot plant in Midland, Mich. A third is in operation at Sun Oil’s refinery at Marcus Hook, Pa.

If you want more details of this Westinghouse unit, which won the 1958 Industrial Science Achievement Award, circle number 291 on the Reader Service Card.

Integrator unit combines fixed and variable data

A new machine called the Data-Integrator accepts fixed information (such as employee’s department) from punched cards, plus variable data (such as overtime or absence) from its keyboard.

The device, introduced by Taller & Cooper, Inc., is the first peripheral data machine to eliminate preparatory steps such as key-punching and verification.

The information fed into this electronic brain is automatically combined and punched out on tape. The tape can then be fed directly to a computer or other tabulating machine.

No larger than a spinet piano, the Data-Integrator can be operated by any office worker.

For further information on the Data-Integrator, circle number 260 on the Reader Service Card.

ONLY FULLY TRANSISTORIZED PORTABLE dictation machine with All controls in your hand



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Uses same Erase-O-Matic non-slip belt as Standard Desk Machine. Belt can be reused thousands of times. No recurring costs as with ordinary belts, discs, cylinders—a saving that pays for your Coronet. Belt is easy to insert and remove. Operates on 6 small mercury batteries, available anywhere, or on A.C. with tiny power pack.

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Cole of Federal Pacific

(Continued from page 33)

the field. Numerous independent switchboard producers were worried, as Federal itself was in 1944, about depending too heavily on the giants for parts. When Cole's company offered to furnish components and parts to these independents, a score of them joined up with Federal, and became regular customers. This in turn gave Federal a whole new series of outlets.

Higher and higher. Oddly enough, this success in industrial breakers soon led to the same kind of challenge Federal had faced a decade earlier: the company had to expand even further to survive.

Federal had crawled far out on a long limb by going into circuit breakers in a big way. Now a changing market and the industry giants were combining to saw it off at the base. The situation at the Long Island City panel board plant, which assembled low voltage electrical equipment for industrial and commercial users, was typical. More and more Federal salesmen were coming in with empty order books and tales of the big ones that got away. What was happening was that industrial users, faced with heavier and heavier electrical requirements, were switching to higher and higher voltage electrical systems. Federal, whose product lines were strictly low voltage (600 volts and under), was either losing out on bids altogether, or else getting only small (lower voltage) fragments of big, juicy bids.

On the other hand, the industry giants, which did make a full line of components, were in an excellent position to grab off the whole of a major-sized order.

It was a repetition of 1944. Once again Cole and his company stood at a crossroads. Federal had to either expand into heavier duty electrical equipment, or once more settle down to becoming dependent on the giants—an assembler of someone else's products. This time, though, Cole had an established product, the confidence born of experience in cracking a new market, and financial strength. Again he decided to expand.

In 1953, in Scranton, Pa., he be-



"Our system of group incentives has helped us keep costs down and achieve high quality standards."

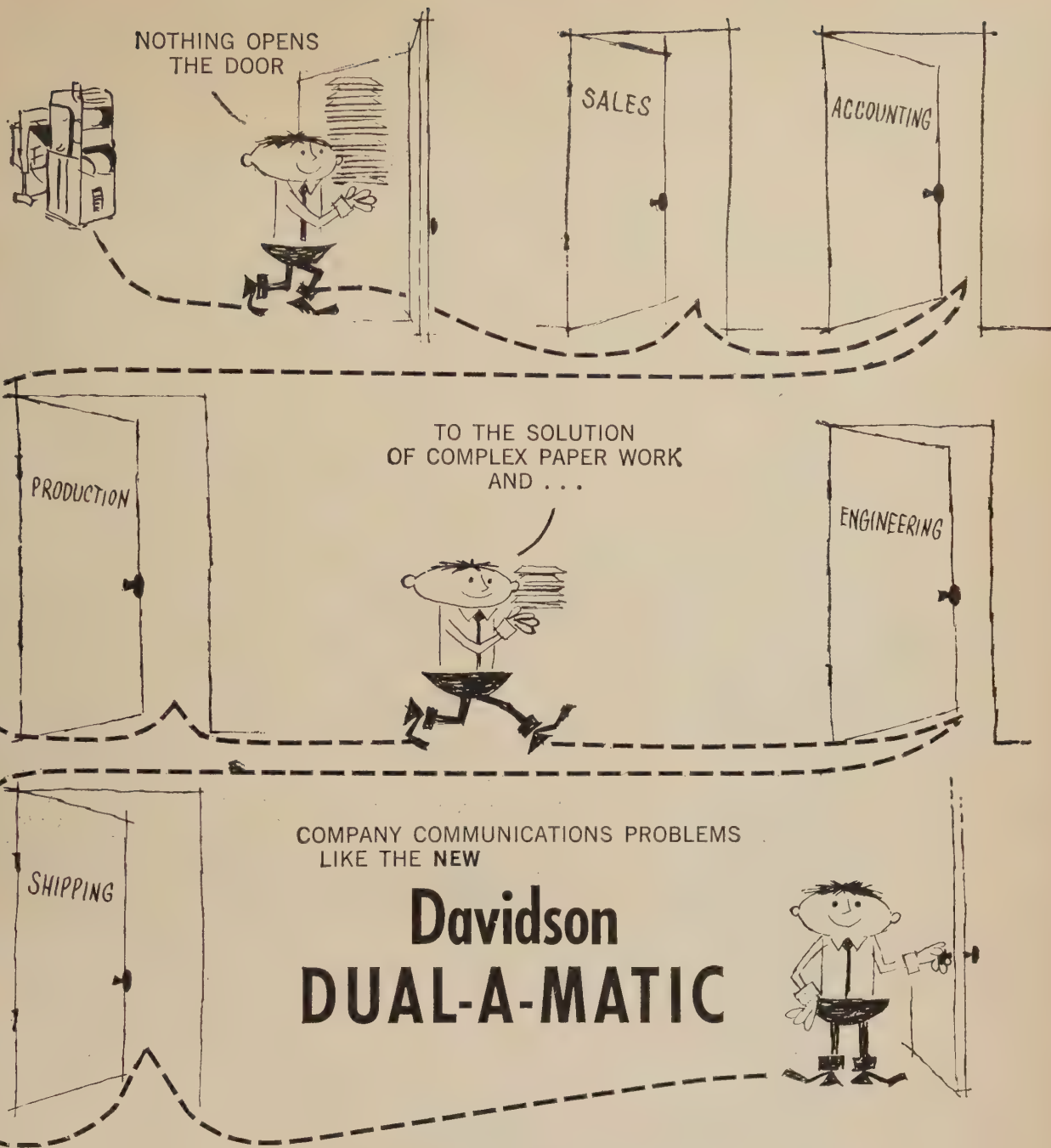
Vice President Romano

gan construction of a \$2 million plant designed to produce switchgear in the 600- to 15,000-volt class, and luck was with him. The Atomic Energy Commission was planning to build a new atomic plant in Portsmouth, Ohio. "In the medium voltage equipment field, this was one of the biggest single bonanzas up to that time, and with a plant in Scranton, we could get in on it," says Cole. Federal got something over \$2 million in AEC orders.

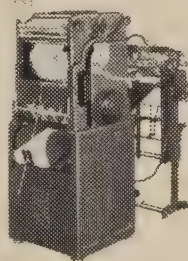
More of same. At the same time Cole decided to build in Scranton, he discovered that Pacific Electric Manufacturing Co., of San Francisco, a \$15 million a year producer of high voltage equipment, was up for sale. Pacific Electric's custom-

ers, the utilities, were expanding as never before. Cole figured he would be pushed into the utility field—just as he had been forced into the medium voltage field—sooner or later. The company was profitable. There was no telling when an opportunity like this would come up again. He bought Pacific Electric for \$4½ million, and turned out to be lucky again. Within 12 months, sales of the combined companies reached \$30 million.

Producing almost a complete line of electrical equipment—everything now from little household circuit breakers to huge oil circuit breakers—Cole set about rapidly to fill in the remaining gaps. In 1954, he acquired Gardner Electric Mfg. Co.



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The DUAL-A-MATIC introduces new ease of operation into high speed, short run offset reproduction. Just press a button and let DUAL-A-MATIC take over reproducing your forms, bulletins, engineering drawings, reports and promotional material with wonderful savings in time and money. Solidly built, too . . . to last several lifetimes of lesser equipment. And 27% fewer parts assure economical, trouble free operation.

There are nine other Dual-Lith models. All open doors to increased efficiency and improved, better looking company communications. See them soon. We'd be glad to send you the name of your Davidson distributor . . . and a persuasive booklet! DAVIDSON CORPORATION, subsidiary of Mergenthaler Linotype Company, 29 Ryerson Street, Brooklyn 5, N. Y.

of Emeryville, Calif., a producer of transformers. Three years later his company announced the take-over of Roller-Smith Corp., an independent manufacturer of electrical instruments. Then in 1958 Federal Pacific dealt itself in on the protective relay business.

Up to then only two companies—G. E. and Westinghouse—made relays. Used by utilities, these devices are little instruments that tell giant circuit breakers whether or not to shunt power off overloaded transmission and distribution lines. Their sales are profitable in them-

selves, but Cole had a more important reason for getting into the field.

In plotting a new transmission network the first thing a utility does is figure out the relays needed. By being in on these bids, Federal Pacific would get a look-see at all other equipment required for the system. "This puts us in at the ground floor," says Cole. "If utilities are going for different or higher voltage equipment, we know it at the beginning rather than two years later when they ask for bids on the main job."

Meanwhile Federal Pacific is going overseas with the product it has in hand. Last year it acquired Federal Pacific Manufacturing Co. of Canada, a former licensee that did a \$4 million volume with a generally similar product line. It also has 50% control of a newly formed English company licensed to turn out circuit breakers, and is eyeing properties in West Germany and elsewhere in Europe's proposed Free Market Area.

At this stage Federal Pacific doesn't do much "basic" research. "We can't afford to; that's for the giants," says Cole. However, with electronic and other innovations gradually moving into the industrial as well as utility field, Federal Pacific is likely to again feel the pressures of technological change. It may find that it cannot afford not to go into research. If this comes about, odds are it will go into the research business via acquisitions.

Cole has found that acquisitions pay and also save him money. And money at Federal Pacific has always been a very special problem.

PROBLEM NUMBER 3:

How to obtain financing for growth

Good products and initial growth serve to open the door for public financing.

■ If Tom Cole provided the spark that ignited the growth of Federal Pacific, the fuel that kept the expansion engine running on all cylinders was capital. The only trouble was that with the company doubling and re-doubling in size, Cole needed a lot more capital.

At first, Federal Pacific managed to finance its growth entirely from internal funds. But by the time the Stab-lok circuit breaker was established and going great guns, Federal Pacific was gasping for cash. With orders rising, increasing amounts of money were being poured into labor and material for production and for inventory. This was eating up cash faster than it came in from customers paying for goods received.

Paper profits were high but internal cash shortages reached a point where Federal Pacific couldn't pay for equipment needed to meet

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(Circle number 118 for more information)

growing production demand. "We were making money—lots of it—but the cash just wasn't coming in fast enough to keep up with our needs," says Cole.

Normally this would be the sweetest of dilemmas a management could face, but for Federal it had special dangers. The company was putting all its chips on expanding quickly and getting established as a national company fast enough so that it wouldn't later be nudged aside by its momentarily short circuited competition. Lack of cash was slowing down this process.

THE ANSWER

Getting outside capital is one of the toughest problems a small company has to face. It is always expensive and it is often unavailable. True, a whole raft of Wall Street firms make it a practice to sponsor rising young companies. But of every 30 or 40 that hopefully tap at their paneled doors, only one is admitted into the inner rooms.

Nonetheless, like thousands before him, Cole went to Wall Street. In the Spring of 1952, Cole approached Byllesby & Co. and Hayden, Stone & Co. After a series of talks, a look at his operating figures and a close study of his cash projections, they opened the door to public financing. That December, Federal Pacific issued 225,000 shares at \$4.50 per share to raise \$1 million.

Had Cole approached the underwriters before marketing Stab-lok, he could hardly have broken through a financial house's defense-in-depth of polite assistants to talk to the senior partners. But he came to them as head of one of the hottest new companies in the electrical field. He was first in the market with a profitable product in high demand. He was in trouble only because he was doing so well. All he needed was operating cash to do much better. The underwriters were only too happy to go along.

Bought up in full, the stock furnished the means for Cole to keep going at full speed. But in mid-1953, when the chance came to buy Pacific Electric, the high voltage producer with high voltage growth prospects, for \$4½ million in cash, Federal didn't have this kind of

money lying around. It did have Wall Street contacts, a good earnings record, and good prospects for expansion—in conjunction with Pacific Electric.

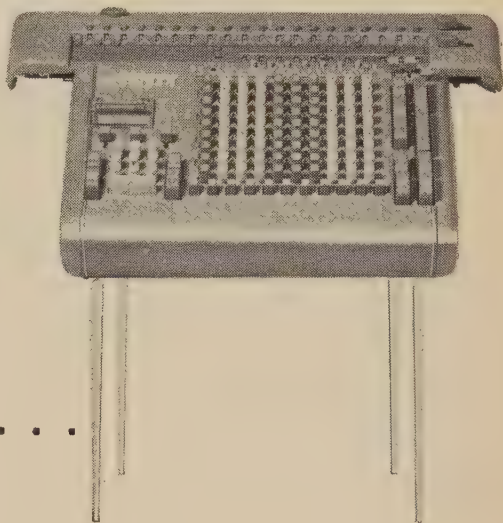
Turning once more to the public, Federal raised \$2 million with convertible debentures, and sold \$2½ million worth of stock (the common now sold for \$5.25). The company continued to run on a tight cash basis but by late 1953 when it had to ante up an unexpected \$600,000 to finish up its Scranton plant, nobody stayed up nights worrying about where the cash

was going to be coming from.

The following year Cole went to the public for the third time. He raised \$1.6 million in common stock (this time at \$10 per share); used \$426,000 of it to buy Gardner Electric, and the rest for working capital.

Bugaboos. For a family-owned company, two of the bugaboos in going public are 1) SEC registration, with its consequent disclosure of operating data, and 2) loss of control. Cole sees no real disadvantage in disclosing over-all company figures. "By then it's past history,

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Machine
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Toothpicks! . . .



The fact is—some old-fashioned office machine stands are just about as unstable as four spindly toothpicks! Take a look at yours . . . then look at Cramer "Guardian" Office Machine Stands. Sturdy steel construction. Safety domes edged with plastic rings that "freeze" stand to floor. Fingertip levers control casters and side leaves. Baked enamel finish, in a choice of colors.

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anyway," he says. Nor was loss of control ever a great danger. Federal Pacific issued two classes of stock. Much of the voting power is held by the class B stock which the Coles kept well in hand. Right now the Coles have about 30% control of the company. As new concerns are added, this percentage will drop. But with most of the stock widely held, the Coles feel secure. Besides, with the record he has made in building the company, Cole isn't likely to be challenged for the top job.

To keep the value of his stock up—and its leverage as an acquisition instrument high—Cole has adapted readily to the public and stockholder relations programs now standard procedure in many large concerns. Letters to shareholders, plant tours for civic groups and talks to security analysts—these are now part of the day's work.

A more basic problem the company faced as it grew was maintaining quality in a quality-conscious industry.

PROBLEM NUMBER 4: How to raise quality at lower cost

Good design, imaginative work methods and group incentives push quality up.

■ In the electrical industry, dependability of product is vital. Newcomers, even when their products have been approved by Underwriters Laboratory (UL) tests, can seldom crack the market overnight.

In the low voltage field, early distributors shied away from the very innovations that made Federal Pacific's Stab-lok circuit breaker attractive. They distrusted its compactness and the fact (new to this type of electrical equipment) that its ratings could be interchanged in a system.

In the higher voltage products where one faulty part can cripple a multimillion dollar transmission system, and where utilities, traditionally conservative, are reluctant to adopt anything new or untried, Federal Pacific was very much the new boy in a very tough school.

As a small newcomer, it faced another challenge. There is little price differentiation in the electrical equipment field. Rather the empha-



Managing for growth: (l to r) Financial Vice President Harold A. Ketchum, Marketing Vice President Robert L. Bobo, and Executive Vice President Frank H. Roby.

sis is on quality, fullness of product line and salesmanship. Federal Pacific needed below-industry costs to get higher than industry margins—and thus more cash with which to expand.

THE ANSWER

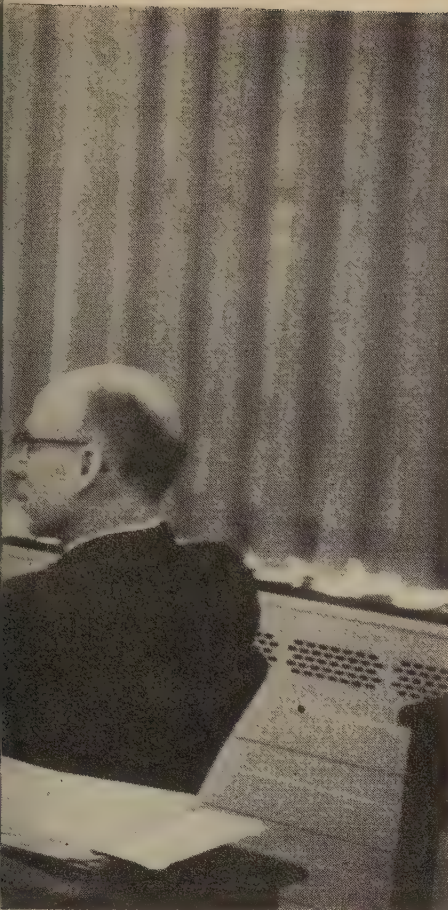
To assure product reliability, Cole took two courses. He went overboard on quality and took care to acquire companies with solid reputations.

If UL called for a circuit breaker capable of being switched on and off 10,000 times, Cole designed his for a 20,000 cycle and let customers know about it.

Then to make sure that quality in the plant kept up to design standards, he instituted statistical quality control procedures throughout his factories and sometimes outside them. In its search for improvements, Federal Pacific has found its vendors useful. Vice president John Romano reports that the company has drawn on knowledgeable technicians from vendor con-

cerns for suggestions on systems and methods. Federal Pacific's acquisition program has also paid off in the shop. Last year's take-over of Roller-Smith Corp., a high quality, precision instrument maker, for example, opened up a pool of techniques and talents that jacked up quality throughout the Newark main plant, says Romano. And he points to a situation that developed soon after Roller-Smith moved into its new Newark headquarters. Seems a foreman from another company division making circuit breakers happened to spot the procedure Roller-Smith technicians were using to test voltmeters. Figuring it had application in breaker testing, he officially proposed the idea. It was tried experimentally, then was adopted as standard practice. The result was Federal Pacific's quality control standards for breakers were raised just one little notch higher.

Test, test, test. In the high voltage field, Cole licked the acceptance problem by acquiring estab-



lished concerns that could actually lend their own prestige to the parent company. Since then to maintain and extend quality, Federal Pacific has opened up new testing and development laboratories in Palo Alto, Calif. and Northampton, Pa., in addition to already established labs in Newark and San Francisco. But at the working level the company counts on its foremen to control quality—and costs.

Federal Pacific's foremen are paid a quarterly bonus based on production—and quality. At regular weekly meetings, line foremen meet plant managers, heads of departments, engineers and sales chiefs. Here product difficulties, new techniques, or complaints are hashed over.

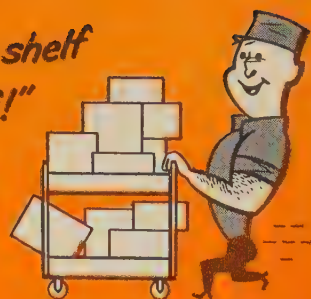
Where possible the company keeps workers on an incentive system and for a number of years has been experimenting successfully with group incentives. Rather than pay individual workers for the number of parts they turn out, this

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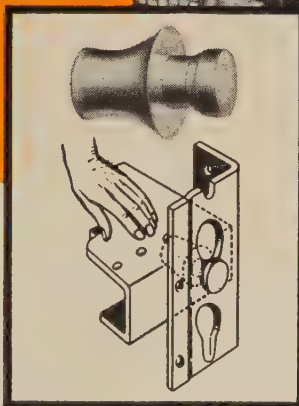
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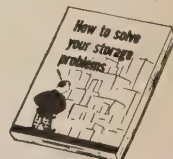


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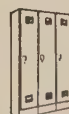
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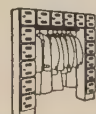
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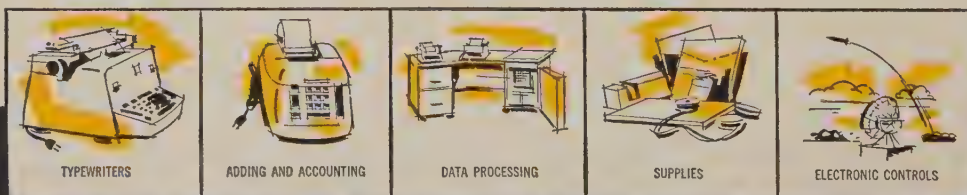
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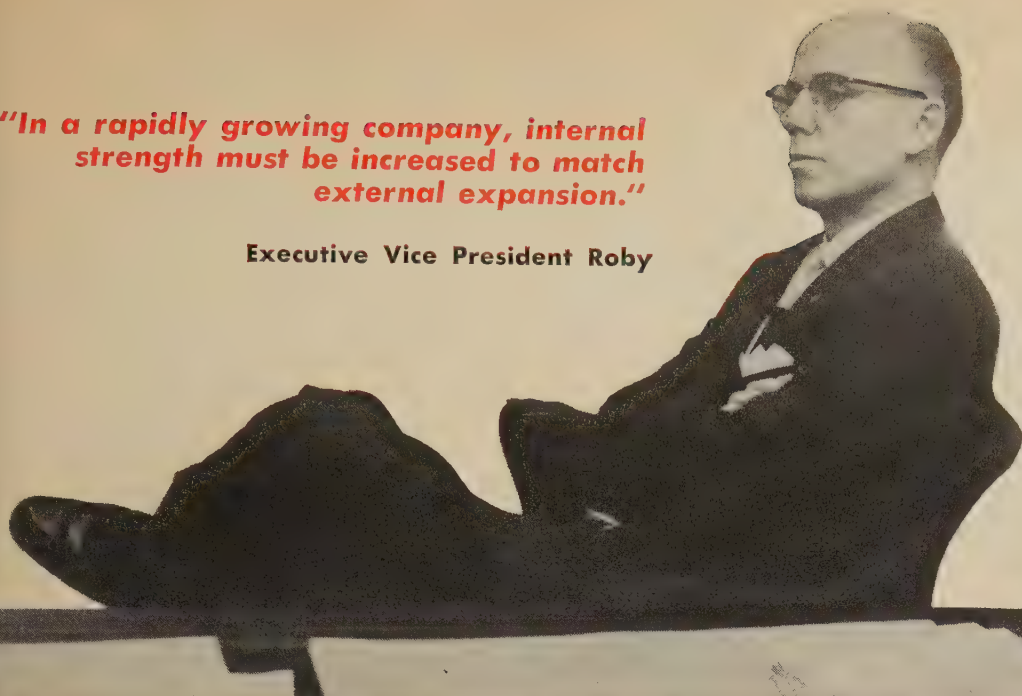
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"In a rapidly growing company, internal strength must be increased to match external expansion."

Executive Vice President Roby



system pays a five- or six-person group for the number of assembled components they all produce. The setup involves less bookkeeping; wage calculations, checking and tallying operations are cut to a fraction. Also, production and quality rise, while absenteeism drops. Workers in a group discipline the laggards on their own, says the company.

What next? With its production under control, its financial house in order, its current markets relatively assured, Federal Pacific's next problem is: Where now? And how? And this question centers directly on Tom Cole.

PROBLEM NUMBER 5:

How to organize for future growth

Strength for growth means acquiring human resources as well as physical assets.

■ Thomas Cole expects his company to make another big leap forward by this time next year. This in turn will bring him up against a new type of barrier — an organizational one.

Thus far Cole's highly effective technique of getting his company to its present size has been to concentrate directly on one phase of operations at a time. First he developed a national sales force, then

a product, a sales campaign, and then an acquisition program in that order. When a crisis developed in one field or another he would swing around to deal with it, then go back to his current project.

"Every successful corporation has to have somebody who needles the devil out of things; at Federal Pacific that man has always been Tom Cole," says Vice President Robert Graves.

Cole, who is eminently self-confident, does just that, openly and bluntly. Dissatisfied with the early showing of the Scranton operation, he tried three different managements. "Quite a few executives passed through the swinging doors at Scranton," admits one official, and though Tom Cole only stepped into the presidency at Federal Pacific last year, there has never been the slightest doubt as to who was running the show.

However, there is a limit to the number of fires any one man can handle at one time. Acquisitions, even the best of them, have a way of going sour or proving hard to digest. Federal Pacific plans to grow via acquisitions, some of them large ones. This will mean more and more operations to keep an eye on and bigger and bigger management groups to integrate into the company. Just on the basis of historical experience in other companies, it's safe to predict this program is going to demand lots of

top-notch executive time and talent.

Again, in the sales field, Federal Pacific is already selling to three national markets: the low voltage product handled by distributors, medium voltage equipment for industrial and utility users, and the high voltage business directed almost purely towards utilities. The three markets call for different approaches, and keeping an eye on any one of them is a full time job.

As its affairs proliferate, Federal Pacific is going to have to establish and expand the inevitable staff groups that large companies need merely to coordinate their activities. "Cole is going to have to learn how to live with a few strong personalities other than his own," says an industry observer.

THE ANSWER

In some ways Federal Pacific is back where it was in 1945. At that time it was girding itself to grow from small to medium sized operations. Now it had to make the switch from medium to large. Cole had not been unaware of what faced Federal Pacific. For some time he had been backing himself with strong management teammates, and preparing them to shoulder some of his own load.

In 1956, he brought in Harold A. Ketchum, an experienced financial man, as financial vice president, and last year he upped John Ro-



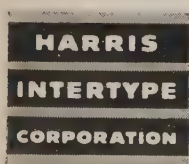
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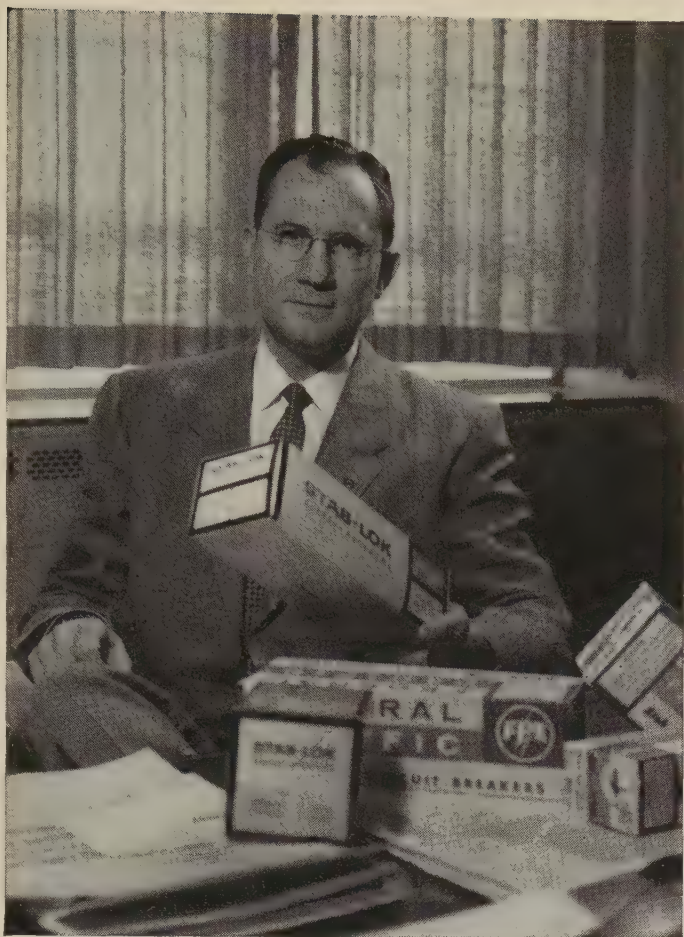
"When you diversify markets, you must be prepared to handle a diversity of marketing problems."

Marketing Vice President Bob

mano, still the company's production ace, to vice president, and also put him in charge of the Roller-Smith operation. Then, eight months ago, Cole got Frank H. Roby, one of the really big men in the electrical manufacturing field, into the Federal Pacific fold. As vice president and director of Square D, Roby had given Federal Pacific the biggest run for its money in the circuit breaker field, and brought it to the point where Square D was Federal Pacific's biggest and most aggressive competitor.

Cole always had a healthy respect for Roby's ability. He handed over the operational reins immediately. "I decided to devote all my time from now on to growth, and that meant new products and acquisitions," Cole says.

Cole didn't waste any time. The first area he turned to was, ironically, fusible equipment. Federal Pacific could honestly say it owed most of its success to circuit breakers and was entrenched in this market about as securely as any company could be in any market. There was life in fuses yet, and Cole figured it was time to wedge himself in that market also. What he had in mind was to incorporate into fusible equipment some of the things he had learned from breakers, and in a few short months two or three major product lines based on these ideas hopped off the drawing board into production. First came the QMQB, a fusible switch that operated on breaker principles. Then a whole line of fusible enclosures—fuse boxes into which whole series of interchangeable fuse holders could be inserted. Cole was doing in fusible equipment what he had done in Stab-lok. He was building up a fusible line to the same depth he had built up the circuit breaker line.



Acquisitions. At the same time he wasn't neglecting acquisitions. Every possible opportunity was looked into. "But good companies are hard to find now," Cole says. What he was looking for were companies that would fit into Federal Pacific's scheme of things. They had to either round out and smooth off his product lines or fill in some of his market areas, or do both.

Came the winter of 1958 and a chance to acquire Cemco Holdings, Ltd. of Vancouver, B. C., by exchange of stock. This was a Canadian company with two plants, a sales volume of almost \$4 million, and a medium and high voltage product line that neatly complemented the low voltage lines of Federal Pacific Manufacturing Co. Ltd. of Toronto, acquired earlier in the year. Cole signed the papers. Overnight Federal Pacific became the fourth largest electrical manufacturer in Canada.

Close on Cemco's heels came yet another acquisition. Again exchanging stock, Cole added to Federal

Pacific the Economy Fuse & Mfg. Co. of Chicago. Economy is the second largest factor in the fuse business, and had introduced the first renewable fuse. Here Cole got possible additional earnings for Federal Pacific of almost \$500,000 a year. More important, he obtained the fuses to fit into the fuse boxes of his new fusible line. Now whatever was wanted in low voltage equipment, Federal Pacific could meet the bill, with a fuse as easily as it could with a circuit breaker.

Federal Pacific had come full circle. From fusible equipment to breakers then back to fuses, from low voltage equipment to medium voltage and high voltage equipment then back to low voltage again. The company had acquired about everything it needed to be well rounded. All that was necessary was to digest what it already had.

Meanwhile Frank Roby got his teeth into the company's problems. He was working on growth too, but

100

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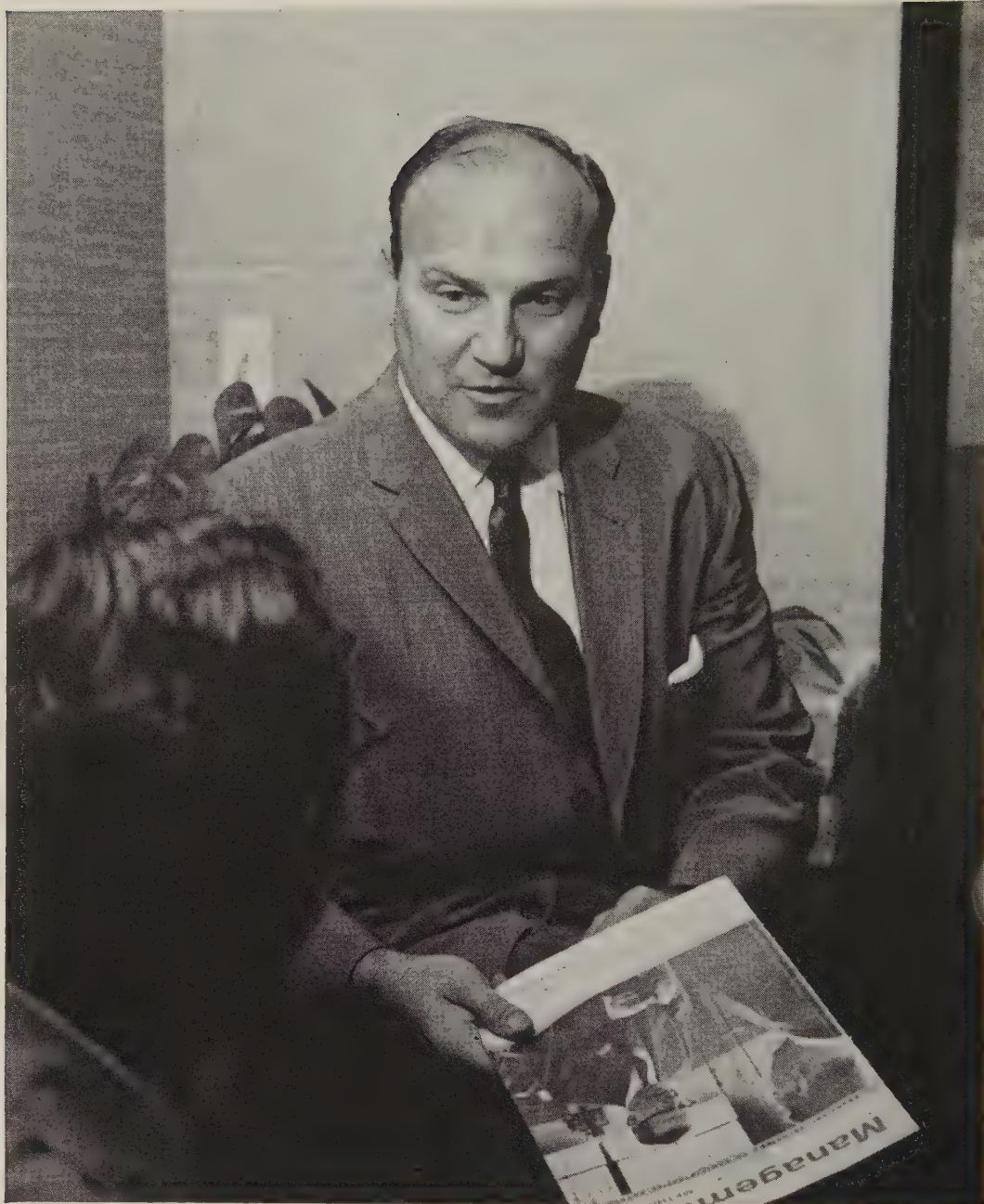
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Albert B. Myers is the newly elected president of Seaboard Life Insurance Company of America, in Miami.

Management METHODS

from an internal direction. A lot had to be assimilated—new product lines and new acquisitions. The company had been expanding at an accelerated pace. Now it had to make sure its lines of supply and communication were intact, its men positioned for maximum effort. An inside streamlining job was necessary—and soon.

Roby's first move was to take Robert L. Bobo, the company's general sales manager, and up him to vice president of marketing. The change in title was significant. Federal Pacific was to be re-organized along modern marketing principles, with orientation directed toward the customer. Roby and Bobo put their thinking caps on and burned the midnight oil, and soon a complete re-organization of Federal Pacific's marketing setup was announced.

Drastic changes were made in the field; with the company's seven

national sales regions increased to 10, and regional managers given across-the-board responsibilities for selling all company products inside their territories. This meant that these managers had less ground to cover and were now in charge of selling low voltage equipment as well as high voltage on a complete line basis. Also, three new sales managers were created in line sales management, one for each of the company's major customer groups: utilities, industrial, and distributor-contractor. Now the field selling effort was still further reinforced.

Then, on the headquarters level, new marketing posts were created for each one of the company's major product groups. These managers had complete marketing authority. They still had a hand in pricing and profit, but no longer were they plant oriented.

It's too early to say what results have been achieved by Roby, Bobo,

Ketchum, Romano and team, but they have the ball and they are running. And behind the line is Cole quarterbacking the way to further and further growth.

PROFILE OF A NEW KIND OF MANAGER

Today Thomas M. Cole heads a company that has expanded 50-fold in the past 15 years. During this period, the company's sales level has risen from a little more than \$1 million a year to \$70 million a year. The number of its employees has increased from a few score to over 4,000. Its physical plant has been enlarged from two local factories to a network of 22 plants and more than 80 sales offices throughout the world.

More important, Cole has taken what was essentially a regional operation and carved out for it a firm place in the American indus-

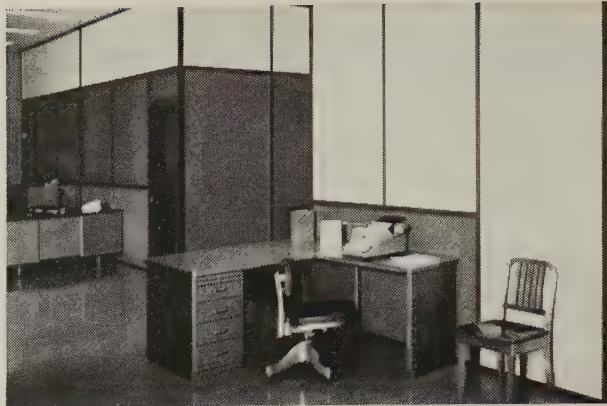
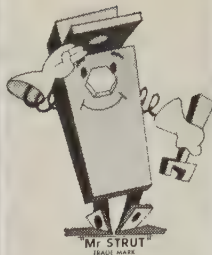
"The size of your financial problems depends on how well other problems are handled."

Financial Vice President Ketchum





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trial scene. Still expanding, he is now eyeing overseas moves—to England, continental Europe, and other areas—to begin planting the roots for further expansion.

There is a lesson to be learned from Federal Pacific Electric Co.'s growth that applies to all companies, large and small. It is that expansion, however rapid and extensive, can be safely undertaken as long as sound management principles are followed.

In sparking his company's growth to power, Cole followed the book, even though his good timing sometimes overshadowed the basic orthodoxy of his methods.

Before Cole took his first giant expansion step, he girded for growth. This he accomplished by building a sturdy framework of personnel and products strong enough to support the tremendous effort he had in mind and the weighty problems that would accompany it.

To get his toe hold in the market, he pursued a policy of seeking out soft spots and moving in aggressively with products to fill them.

To pay for expenses of expansion, he kept himself flexible, free to adopt whatever method of obtaining capital seemed most appropriate at the time—self-financing, public stock offerings, or exchange of equity deals.

To maintain and consolidate his gains, he solidified his own organizational soft spots and moved ahead into newer markets. At the same time he gained stature and acceptance by achieving high quality while lowering production costs.

Throughout his 15-year effort to achieve giant status, Cole capitalized on the mobility inherent in a small company. Light on his feet, he was able to take maximum advantage of his opportunities.

Back of every action was an overwhelming belief in the correctness of his basic approach, and this conviction lent force to his arguments whether applied to sales, production, or finance.

Cole's methods and techniques are applicable to any small company, even if it is not in a "grow or die" situation. These are: to shape a firm goal, steer to it with boldness and doggedness, and meet competition with strength, rather than weakness. ■

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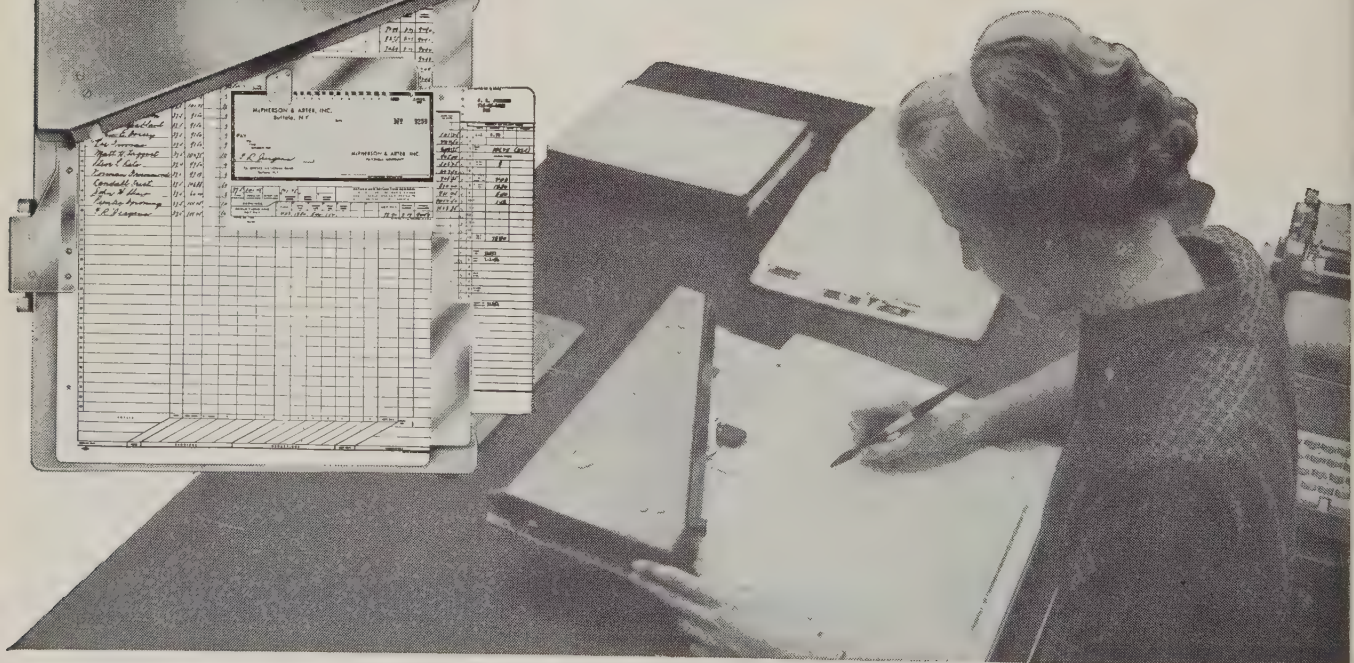
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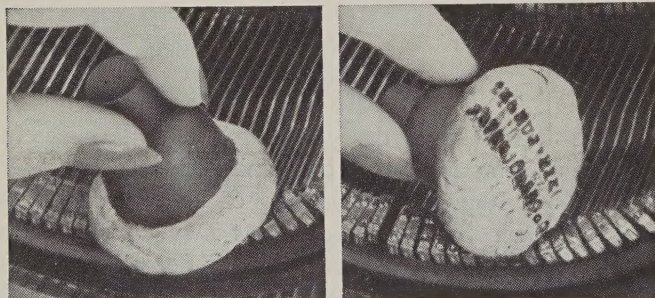
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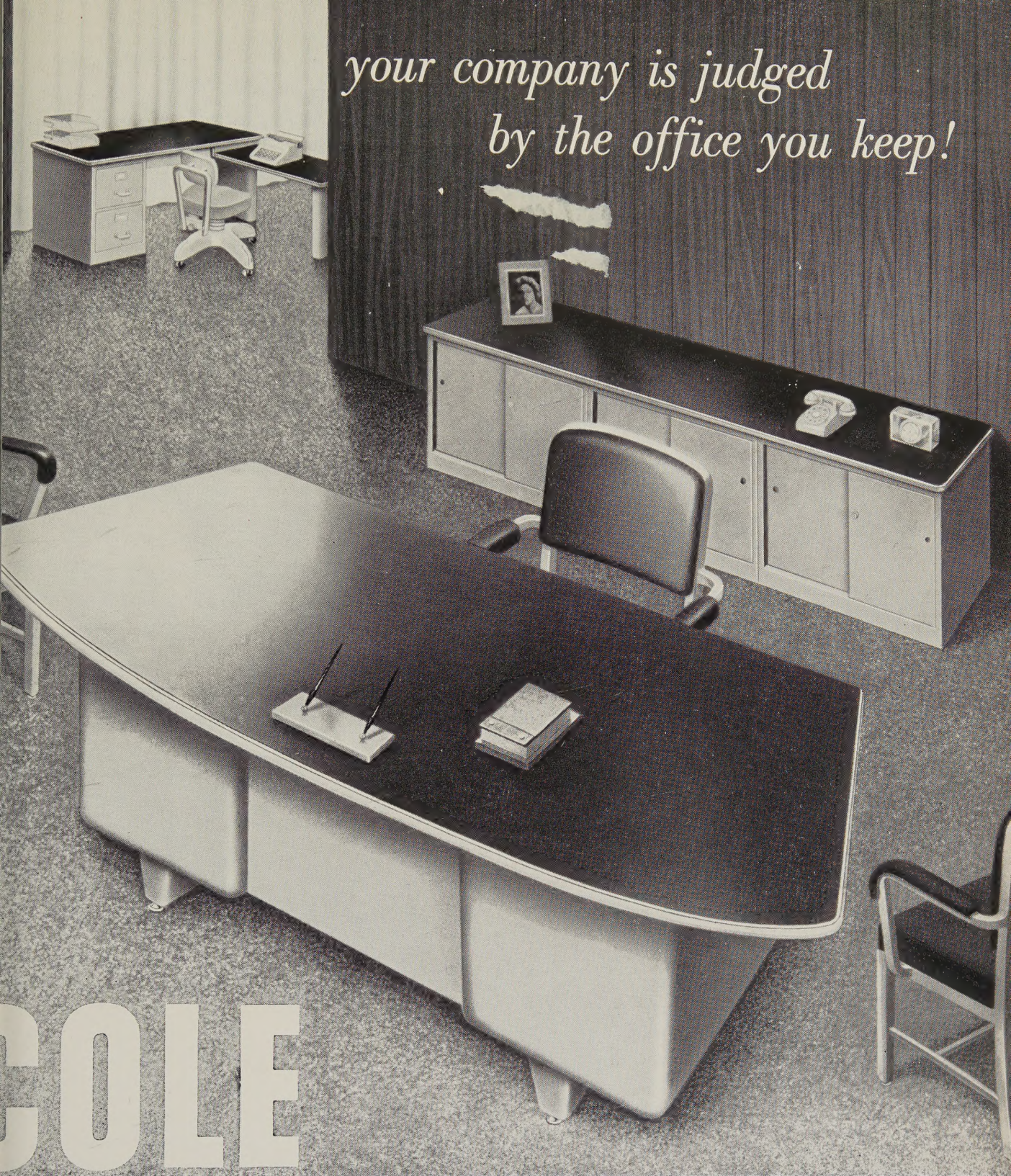
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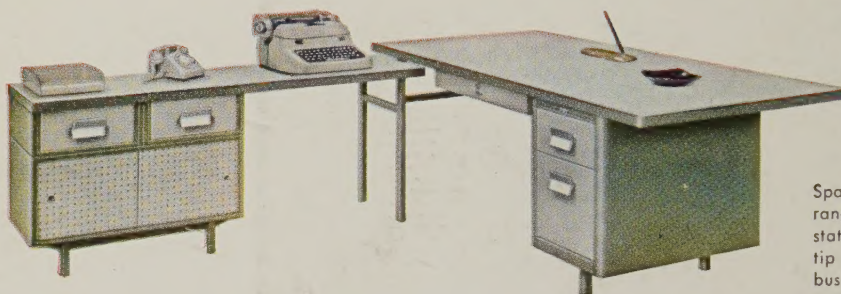
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